ORDINANCE No. 44 of 20.10.2011 on the requirements to the activity of collective investment schemes, their management companies, national investment funds and managers of alternative investment funds
(Title amended – State Gazette, issue 63 of 2016)

Promulgated SG issue 85 of 1.11.2011, effective 1.11.2011, amended, issue 52 of 10.07.2015, amended and supplemented, issue 63 of 12.08.2016.

Chapter one
GENERAL PROVISIONS

Art. 1. (Amended – SG, issue 63 of 2016). The ordinance regulates:

1. the content of contracts of the investment company with the management company and those of the national investment company with the manager;

2. the content of the contract with the depositary regarding the management of the activity of collective investment schemes, national investment funds, and alternative investment funds;

3. liquidity of collective investment schemes and national investment funds, and the additional requirements to the transferable securities, money market tools, and other assets, in which collective investment schemes and national investment funds can invest;

4. the method and procedure of evaluation of the assets and liabilities of collective investment schemes and national investment funds, for calculation of net asset value, calculation of issue value and redemption price of units of collective investment schemes and national investment funds;

5. the activity of issuing, sale, and redemption of units of collective investment schemes and national investment funds;

6. the content of prospectus, reports, advertising messages;

7. the activity and requirements to master-feeder collective investment scheme structures;

8. conversion and winding up of collective investment schemes, management companies, managers of alternative investment funds, and national investment funds;

9. other requirements to the activity of collective investment schemes, management companies, managers of alternative investment funds, and national investment funds intended to protect investors' interests;

10. requirements for the organisation and activity of management companies, their capital adequacy and liquidity;

11. requirements for the activity of national investment funds;

12. requirements for the activity of managers of alternative investment funds regarding the funds managed by them;

13. the procedure of reviewing of complaints from the management company and from the manager of alternative investment funds.

Chapter two
REQUIREMENTS FOR THE ACTIVITY OF COLLECTIVE INVESTMENT SCHEMES

Section I
The investment company's contract with the management company

Art. 2. The investment company's contract with the management company shall contain at least the following information:

1. the distribution of rights and obligations between the managing body of the investment company and the management company regarding the management of the investment company's activity;

2. description of the means and procedures, by which the management company shall have access to the essential information necessary to perform its obligations;

3. description of the procedures, by which the investment company may review the management company's activity with regard to regulatory and contract obligations;

4. the rules for effective prevention and/or resolving of conflicts of interest between them;

5. (amended – SG, issue 63 of 2016) the investment company's obligation to give the depositary consent for immediate encashment, and also to send a copy of said consent to the management company;

6. the option for the investment company to authorize the management company to participate in general meetings of the issuers in whose financial instruments the investment company has invested its assets;

7. the necessary conditions for replacement of the management company and the procedure for sending the entire essential information to the new management company;

8. the conditions and procedure of issuing (sale) and redemption of shares of the investment company of open type through the management company, and also for delegation of these functions by the management company to a third person;

9. the conditions and procedure of administration of the investment company's shares, including legal and accounting services with regard to the management of assets, information requests by investors, evaluation of assets and liabilities, and calculation of net asset value,

control of compliance with legal requirements and internal rules, distribution of dividends, compliance with contracts, keeping of accounting;

10. rules for control by the investment company over expenses made by the management company with regard to regulatory and contract obligations;

11. the duration of the contract, if any, as well as the conditions and procedure of amending, cancellation, and termination of the contract, including in cases where the management company has notified the investment company about a decision made by the management company for restructuring, starting an insolvency procedure, or termination of the contract, and also when the management company's license is withdrawn.

Section II
Content of the management company's contract with the depositary
(Title amended – State Gazette, issue 63 of 2016)

Art. 3. (1) (Amended – SG, issue 63 of 2016) Where the collective investment scheme originating in the Republic of Bulgaria is managed by a management company originating from another Member State, or a management company originating in the Republic of Bulgaria manages the collective investment scheme originating from another Member State, the management company and the depositary shall conclude a written agreement establishing the necessary information to perform the depositary's functions in accordance with applicable law.

(2) (Amended – SG, issue 63 of 2016) The written agreement between the management company and the depositary contains at least the following elements with regard to provided services, and the procedures the parties to the agreement must follow:

1. (amended – SG, issue 63 of 2016) a description of the procedures, including those with regard to storage of assets, which must be adopted for each asset type of the collective investment scheme entrusted to the depositary;

2. (amended – SG, issue 63 of 2016) a description of the procedures which must be followed when an amendment of rules or the prospectus of the collective investment scheme is intended, and defining the cases where the depositary should be informed, or where the depositary's preliminary consent is needed in order to commence the amendment;

3. (amended – SG, issue 63 of 2016) a description of the means and procedures through which the depositary will hand over to the management company each piece of essential information needed by the management company to perform its obligations, including a description of the means and procedures regarding the exercising of any rights arising from the financial instruments, and the means and procedures applied in order to allow the management company and the collective investment scheme to have at their disposal timely and suitable access to the information with regard to the collective investment scheme's accounts;

4. (amended – SG, issue 63 of 2016) a description of the means and procedures through which the depositary will have access to the entire important information needed by it to perform its obligations;

5. (amended – SG, issue 63 of 2016) a description of the procedures through which the depositary is able to send inquiries regarding the management company's activity and to evaluate the quality of submitted information, including by on-site visits;

6. (amended – SG, issue 63 of 2016) a description of the procedures, through which the

management company may review the depositary's activity with regard to its contractual obligations.

(3) Details on the means and procedures under par. 2, p. 3 and 4 may also be established in a separate agreement between the parties.

Art. 4. (1) (Amended – SG, issue 63 of 2016) The written agreement between the management company and the depositary under art. 3 par. 1 contains at least the following elements with regard to the exchange of information, the obligations for confidentiality, and the measures against money laundering and financing of terrorism:

1. (amended – SG, issue 63 of 2016) a list of the entire information, which must be exchanged between the collective investment scheme, the management company, and the depositary, with regard to the sale, issuing, redemption, and invalidation of units of the collective investment scheme, including information with regard to trading an exchange-traded fund on a regulated market or a multilateral trading system;

2. the confidentiality obligations applicable to the parties to the agreement;

3. information on the tasks and responsibilities of the parties to the agreement with regard to obligations in the area of money laundering and terrorism financing prevention, if applicable.

(2) The obligations under par. 1 p. 2 should be worded in a way so that they would not create a difficulty for the Financial Supervision Commission, referred to further as "the commission", respectively the competent authorities of the Member State of origin of the management company, and the competent authorities of the Member State of origin of the collective investment scheme, to access important documents and information.

Art. 5. (Amended – SG, issue 63 of 2016) Where the management company and the depositary delegate a part of their functions to third parties, the written agreement under art. 3, par. 1, contains at least the following elements:

1. (amended – SG, issue 63 of 2016) obligation for both parties to the agreement to regularly provide detailed information about each person assigned by the depositary or the management company to performing their functions;

2. obligation, by either of the parties' request, for the other party to provide information on the criteria used when selecting the third party, and the measures taken for ongoing control of activities performed by the selected third party;

3. (amended – SG, issue 63 of 2016) a statement that the depositary's responsibility under art. 37 of the Collective investment schemes and other undertakings for collective investments act (CISOUCIA) is not changed by the fact that all or a part of the assets of the collective investment scheme are handed over for storage to a third party.

Art. 6. (1) (Amended – SG, issue 63 of 2016) The written agreement under art. 3 par. 1 between the management company and the depositary includes at least the following elements with regard to possible amendments to it and its termination:

1. the agreement's validity term;

2. the conditions under which the agreement may be amended or terminated;

3. (amended – SG, issue 63 of 2016) the conditions necessary to facilitate replacement of the depositary and the procedure, under which the entire essential information is forwarded to the new depositary, including the rules for protection of unit-holders during such replacement.

(2) The agreement shall specify that the legislation of the collective investment scheme's Member State of origin applies to the agreement.

(3) Where the parties to the agreement agree to use electronic means for the full or partial transfer of information exchanged between them, it shall include clauses guaranteeing the storage

of such information.

(4) (Amended – SG, issue 63 of 2016) In the event that the agreement is applicable to more than one collective investment scheme, the schemes are listed in it. If the collective investment schemes originate from different Member States, the agreement shall indicate the specific requirements with regard to performance of functions of the management company and its relationship with the depositary in accordance with applicable legislation of the origin country of each of the collective investment schemes.

Art. 7. (Amended – SG, issue 63 of 2016) A management company originating from the Republic of Bulgaria, managing a collective investment scheme originating from the Republic of Bulgaria, concludes with the depositary a contract, which, in addition to the content under art. 3-6, also includes the following:

1. (amended – SG, issue 63 of 2016) the depositary's obligation to monitor whether the management company's remuneration is calculated and paid in accordance with the law and statute, respectively rules of the collective investment scheme;

2. (amended – SG, issue 63 of 2016) the depositary's obligation to report to the collective investment scheme at least once a month regarding the assets entrusted to it and effected operations;

3. (amended – SG, issue 63 of 2016) the prohibition for the depositary to deduct its receivables against the collective investment scheme from the monetary funds and financial instruments entrusted to it by the collective investment scheme.

4. expenses by types, which will be borne by each of the parties;

5. (amended – SG, issue 63 of 2016) the procedure of handing over to the depositary the entire information and documentation available at the management company with regard to the mutual fund in the event that the license to pursue activity is withdrawn, in the event that the management company is wound up or declared bankrupt.

6. (amended – SG, issue 63 of 2016) the parties' responsibility for non-performance of contractual obligations, including the depositary's responsibility and the procedure for unit-holders to seek such responsibility under art. 37 of CISOUCIA;

7. (new – SG, issue 63 of 2016) a detailed description of the procedure for exchange of information between the management company and the depositary with regard to establishing the indicative net asset value of an exchange-traded fund.

Section III
The collective investment scheme's liquidity and additional requirements for securities, money market instruments, and other assets under art. 38 of CISOUCIA.

Art. 8. (1) The collective investment scheme must invest in liquid transferable securities and other liquid financial assets under art. 38 CISOUCIA, and also maintain an assets and liabilities structure allowing it to perform at any given time its obligations for redemption of units.

(2) The management company must comply with the requirement of par. 1 for each collective investment scheme it manages, and also must not expose the collective investment scheme to risks which do not correspond to its risk profile.

(3) (new – SG, issue 63 of 2016) The management company of an exchange-traded fund

notifies the Deputy Chairperson about the applicable ways it shall use to ensure the fund's liquidity, and also about every decision to change them.

(4) (new – SG, issue 63 of 2016) In the event that the methods of ensuring liquidity under art. 3 do not permit, where necessary, to perform the obligation for redemption of units, the Deputy Chairperson shall require their correction within a 14-day term from notification.

(5) (new – SG, issue 63 of 2016) Paragraph 4 is not applied where a permission to use a loan is issued in the manner of art. 54.

Art. 9. (1) The management company adopts rules for maintaining and management of liquidity for each collective investment scheme it manages. The rules indicate the principles and management methods, as well as the rights and obligations of persons responsible for managing, accounting, and internal control over liquidity. The rules are presented to the commission within a 7-day term of their adoption, respectively of their amendment.

(2) If the presented rules under par. 1 do not guarantee maintaining of liquidity, the Deputy Chairperson in charge of the "Investment activity supervision" department, referred to further as "Deputy Chairperson", gives mandatory instructions for amendment to the rules.

Art. 10. (1) (Amended – SG, issue 63 of 2016) The management company must constantly monitor the liquidity of every collective investment scheme it manages.

(2) (Amended – SG, issue 63 of 2016) Pledged assets or those with other limitations to their use by the collective investment scheme are not considered liquid.

Art. 11. (1) The transferable securities, in which the collective investment scheme may invest, must comply with the following conditions:

1. potential losses, which the collective investment scheme may suffer from their holding, are limited to the sum paid for them;

2. their liquidity must not pose a risk for the collective investment scheme's ability to redeem its units by their holders' request;

3. have a reliable evaluation established as follows:

a) the securities admitted to or traded on a regulated market under art. 38, par. 1, p. 1-4 CISOUCIA have exact, reliable, and regularly established market prices or prices provided by evaluation systems independent of the issuers;

b) securities under art. 38, par. 2 of CISOUCIA have a recurring evaluation made on the basis of information provided by the issuer, or on the basis of competent investment research;

4. there is available information about them, which is considered suitable if:

a) for the securities admitted to or traded on a regulated market under art. 38, par. 1, p. 1-4 of CISOUCIA, accurate and detailed information about the security or, where applicable, the security's portfolio, is provided regularly to the market.

b) for securities under art. 38, par. 2 of CISOUCIA, accurate information is provided regularly to the collective investment scheme about the security or, where applicable, the security's portfolio;

5. are freely transferable;

6. their acquisition corresponds to the investment objectives and/or the investment policy of the collective investment scheme;

7. the risks associated with them are adequately encompassed by the rules for risk management of the collective investment scheme.

(2) Securities under art. 38, par. 1, p. 1-3 of CISOUCIA are believed to comply with the

requirements under par. 1, p. 2 and 5, if the collective investment scheme does not have at its disposal information leading to a different conclusion.

(3) As transferable securities under art. 38 of CISOUCIA are considered also the shares/units of an investment company, mutual fund, or a unit trust of a closed type, if:

1. they meet the conditions under art. 1 and 2;

2. investment companies and unit trusts apply corporate management rules applicable to the companies, and the mutual funds are subject to corporate management rules equivalent to those applicable to the companies;

3. the company managing the mutual fund, respectively the company managing the assets of the investment company and the unit trust, if any, is subject to national regulation in order to protect the investors.

(4) As transferable securities under art. 38 of CISOUCIA are considered also the financial instruments meeting the requirements under art. 1 and 2 and guaranteed by or linked to the return of other assets, which may be different from those under art. 38, par. 1 of CISOUCIA.

(5) Where financial instruments under art. 4 contain an embedded derivative instrument, art. 40-43 of CISOUCIA applies to the embedded derivative instrument.

Art. 12. (1) Money market instruments within the meaning of § 1, p. 6 of the supplementary provisions of CISOUCIA are instruments which are:

1. financial instruments admitted to trade or traded on a regulated market within the meaning of art. 38, par. 1, p. 1-3 of CISOUCIA;

2. financial instruments, which are not admitted to trade.

(2) The money market instruments, in which the collective investment scheme may invest, are considered usually traded on the money market, if they meet one of the following requirements:

1. have a maturity of up to 397 days inclusive at issuing;

2. have a remaining term until maturity of up to 397 days inclusive;

3. are subject to regular corrections of the return under the conditions of the money market at least once every 397 days;

4. their risk profile with regard to their credit risk and the risk linked to the interest rate corresponds to the risk profile of financial instruments with maturity under p. 1 and 2 or with corrections of the return under p. 3.

Art. 13. (1) Money market instruments, in which the collective investment scheme may invest, are liquid instruments on the money market, if they can be sold with limited expenses and within an adequately short time period given the collective investment scheme's obligation to redeem its units by request from each of the unit-holders.

(2) Money market instruments, in which the collective investment scheme may invest, are instruments, the value of which can be established exactly at any moment, if there are accurate and reliable evaluation systems available for them, which comply with the following requirements:

1. they allow the collective investment scheme to calculate its net asset value based on the value, at which the instrument included in its portfolio can be exchanged between informed and independent parties which have expressed their consent under the conditions of a fair contract;

2. are based on market data or evaluation models, including systems based on amortisation values/ expenses.

(3) Money market instruments under art. 38, par. 1, p. 1-3 of CISOUCIA are believed to meet the requirements under par. 1 and 2, if the collective investment scheme does not have at its

disposal information leading to a different conclusion.

Art. 14. (1) Money market instruments under art. 38, par. 1, p. 9 of CISOUCIA, which are different from those traded on a regulated market, but the issue or issuer of which are regulated for the purposes of protecting the investors and savings, must comply with the following conditions:

1. meet at least one of the requirements under art. 12, par. 1, and all requirements under art. 13, par. 1-3.

2. are freely transferable and there is available suitable information about them, including information needed to perform a suitable evaluation of credit risks associated with investments in them, taking into account the requirements under par. 2-4.

(2) For money market instruments under art. 38, par. 1, p. 9 of CISOUCIA, items "b" and "d", for money market instruments under art. 38, par. 1, p. 9 of CISOUCIA, item "a", which are issued by regional or local authorities in the Republic of Bulgaria or another Member State, or by a public international organisation, of which at least one Member State is a member, but which are not guaranteed by a Member State, and also in the cases of a federal state, which is a Member State - by one of the members of the federal state, information is considered suitable under par. 1, p. 2, if the following are present:

1. information on the issue or the issue program, and also about the legal and financial state of the issuer before issuing the instrument on the money market;

2. update of the information under p. 1, which is done at least once a year and at any important event;

3. verification of the information under p. 1, done by suitably qualified third parties, which are independent from the issuer;

4. reliable statistical data on the issue or issue program.

(3) For money market instruments under art. 38, par. 1, p. 9, item "c" of CISOUCIA, suitable information under par. 1, p.2 is considered available where the following are present:

1. information on the issue or the issue program, or on the legal and financial state of the issuer before issuing the money market instrument;

2. update of the information under p. 1, which is done at least once a year and at any important event;

3. reliable statistical data on the issue or the issue program, or other data allowing performing a suitable evaluation of credit risks associated with investments in such instruments.

(4) For money market instruments under art. 38, par. 1, p. 9, item "a" of CISOUCIA, other than those listed in par. 2 and those issued by the European central bank, by the Bulgarian national bank, or by a central bank of another Member State, information about the issue or the issue program, or about the legal and financial state of the issuer prior to issuing the instrument is considered suitable under par. 1, p. 2.

Art. 15. The person under par. 1, p. 9, item "c" of CISOUCIA, which is subject to and complies with rules adopted by the corresponding competent authority, which are at least as strict as the requirements established by the law of the European union, must be an issuer, which is subject to and complies with the rules for prudential supervision, and which also meets one of the following conditions:

1. must have a seat in a country belonging to the European economic area;

2. must have a seat in a country, which is a party to the Agreement for the organisation of Economic Cooperation and Development belonging to the Group of ten;

3. must have a certain credit rating no lower than investment, awarded by a credit rating

agency registered or certified under Regulation No. 1060/2009 of the European parliament and of the Council of 16 September 2009 on credit rating agencies (OJ L 302/1 of 17 November 2009), referred to further as "Regulation (EC) No. 1060/2009";

4. the commission can prove, on the basis of in-depth analyses of the person, that the prudential rules it complies with are as strict as the requirements established by the law of the European union.

Art. 16. (1) Securitisation vehicles under art. 38, par. 1, p. 9, item "d", sub-item "bb" of CISOUCIA are structures of corporate, trust, or contract nature founded for the purposes of performing securitisation operations.

(2) The bank line for providing liquidity is a bank facility provided by an institution meeting the requirements under art. 38, par. 1, p. 9, item "c" of CISOUCIA.

Art. 17. (1) Derivative financial instruments under art. 38, par. 1, p. 7 and 8 of CISOUCIA are liquid if their underlying assets consist of one or more of the following:

1. assets listed in art. 38, par. 1 of CISOUCIA, incl. financial instruments having one or more features of these assets;

2. interest rates;

3. currency or exchange rates;

4. financial indices.

(2) OTC derivative instruments shall also meet the requirements under art. 38, par. 1, p. 8, items "b" and "c" of CISOUCIA;

Art. 18. (1) Derivative financial instruments under art. 38, par. 1, p. 7 and 8 of CISOUCIA shall include instruments meeting the following criteria:

2. allowing the transfer of credit risk of underlying assets under art. 17, par. 1, p. 1 independently of other risks associated with the asset;

2. delivery or transfer, including via monetary payment, of assets other than those under art. 38, par. 1 and 2 of CISOUCIA cannot be performed through them;

3. meet the criteria for OTC derivative instruments under art. 38, par. 1, p. 8, items "b" and "c" of CISOUCIA, and par. 2 and 3;

4. the risks associated with them are accordingly encompassed by the rules for risk management of the collective investment scheme, and also by the mechanisms for internal control in the events of risk of asymmetry of information between the collective investment scheme on one side, and the counterparty for a derivative financial instrument for transfer of credit risk, on the other, arising from the counterparty's potential access to internal/ non-public information on the companies, the assets of which are underlying assets for the derivative financial instrument for transfer of credit risk.

(2) The fair value of derivative financial instruments under art. 38, par. 1, p. 8, item "c" of CISOUCIA is the price, at which the assets may be exchanged, and the liabilities for them may be repaid, between well informed independent parties to a transaction who have expressed their consent.

(3) The reliable and verifiable evaluation of derivative financial instruments under art. 38, par. 1, p. 8 of CISOUCIA corresponds to the fair value under art. 2, whereas it is not based solely on market quotes from the counterparty and meets the following criteria:

1. the basis for evaluation is a reliable and current market price of the instrument, and in the events where such price is not available, the evaluation is made based on a pricing model using a suitable commonly used methodology;

2. verification of the valuation is done in one of the following ways:

a) by a suitable third party independent of the counterparty in the transaction with the derivative financial instrument traded on OTC markets, which performs verification with sufficient frequency and in a manner allowing the collective investment scheme to verify the correctness of evaluation;

b) by a business unit of the management company which manages the collective investment scheme having at its disposal the necessary human and technical resources and independent of the department managing the assets.

(4) Liquid financial assets under art. 38, par. 1, p. 8 of CISOUCIA do not include derivative financial instruments with goods as underlying asset.

(5) The additional liquid assets under art. 38, par. 4 of CISOUCIA include the monetary funds in the collective investment scheme's register.

Art. 19. (1) The collective investment scheme may invest in derivative financial instruments with financial indices as underlying asset under art. 38, par. 1, p. 7 and 8 of CISOUCIA, if the financial indices meet the following requirements:

1. are sufficiently diversified, if the following criteria are met:

a) the index is composed in a such a way that price changes and trading activity with one component of the index does not have a significant effect on the entire index;

b) if the index is made up of assets under art. 38, par. 1 of CISOUCIA and its composition is diversified at least as much as that of indices under art. 46 of CISOUCIA;

c) if the index is composed of assets other than those under art. 38, par. 1 of CISOUCIA, its composition is diversified in a manner equivalent to that of indices under art. 46 of CISOUCIA;

2. represent an adequate benchmark (commonly used reference) for the market they are associated with, if the following criteria are met:

a) the index measures a representative group of assets in a suitable manner;

b) the index is reviewed and balanced periodically according to publicly announced criteria in order to continue to adequately represent the corresponding market;

c) the assets the index is comprised of are sufficiently liquid, allowing the users to replicate the index where necessary;

3. are published in a suitable manner, if the following criteria are met:

a) the process of publishing is based on reliable procedures for collection of prices, calculation and subsequent publishing of the index value, including procedures for evaluation of the components having no market price;

b) the essential information regarding the calculation of the index, methodologies for balancing the index, changes to the index, and also regarding the presence of operating difficulties when providing timely and accurate information is provided on a broad and timely basis.

(2) Where the composition of assets, which are underlying assets of derivative financial instruments under art. 38, par. 1 of CISOUCIA, does not meet the requirements under art. 1, these derivative financial instruments, if they meet the requirements under art. 17, are considered derivative financial instruments with underlying asset – combination of assets under art. 17, par. 1, p. 1-3, items "a"-"c".

Art. 20. (1) Transferable securities and money market instruments with embedded derivative instruments under art. 43, par. 4 of CISOUCIA are financial instruments meeting the criteria under art. 11 and containing a component meeting the following conditions:

1. through it some or all money flows expected from the security or money market instrument as a base contract can be changed in accordance with a certain interest rate, price of

financial instrument, exchange rate, price or value index, credit rating, credit index or another variable, and as a result of this vary in a way identical to that of an standalone derivative financial instrument;

2. its economic characteristics and risks are not closely related to economic characteristics and risks of the main contract;

3. has an essential/ significant effect on the risk profile and evaluation of the transferable security or money market instrument.

(2) The transferable security or money market instrument is not considered as having an embedded derivative, if they include a component, which can be transfered with a contract separately from the security or the money market instrument. This component is viewed as an independent financial instrument.

Art. 21. (1) Replication of the composition of an index of shares or bonds/ debt securities is present in the cases of replication of the composition of the underlying assets of the index, including the use of derivatives or other techniques and instruments under art. 50.

(2) The index composition is sufficiently diversified, if it complies with the rules for risk diversification under art. 46 of CISOUCIA and art. 19.

(3) The index represents an adequate benchmark if the person maintaining the index uses recognized methodology, which generally does not lead to the exclusion of a major issuer on the market that the index applies to.

(4) The index is published in a suitable manner, if the following conditions are met:

1. it is publicly available;

2. the person maintaining the index is not a related person to the collective investment scheme replicating the index.

(5) In cases under par. 4, p. 2, the person maintaining the index and the collective investment scheme may be a part of the same economic group, if effective measures for prevention of conflicts of interest are in place.

Art. 21a. (New – SG, issue 63 of 2016) (1) A collective investment scheme under art. 6, par. 4 of CISOUCIA maintains a portfolio structure and observes the requirements to funds on the money market in accordance with CESR guidelines regarding the general definition for European funds on the money market (CESR guidelines/10-049).

(2) Collective investment schemes under art. 6, par. 4 of CISOUCIA are short-term funds on the money market and money market funds in accordance with the provisions of CESR guidelines/10-049.

(3) Rules under art. 13, par. 2 of CISOUCIA, the prospectus and key investor information document of the fund under par. 1 expressly indicate that the collective investment scheme is a money market fund and complies with the requirements of CESR guidelines/10-049 according to the type of money market fund under par. 2.

(4) Money market funds comply with applicable guidelines of the European securities and markets authority as the committee has accepted to comply.

(5) Other undertakings for collective investment which include in their names the qualifier "money market", "money market fund", or "short-term money market fund" shall comply with the CESR guidelines/10-049.

Section IV
Requirements to the organisation and rules for calculation of net asset value of collective investment schemes

Art. 22. (1) The management company organizes the accounting of the collective investment scheme in a way that allows the direct identification of all assets and liabilities of the scheme at any moment.

(2) (Amended – SG, issue 63 of 2016) For each managed collective investment scheme, the management company applies accounting policies and procedures adopted, applied, and maintained in accordance with International accounting standards under § 1, p. 8 of the supplementary provisions of the Accounting act (AA) guaranteeing that the net asset value of each collective investment scheme is accurately calculated based on the accounting and that orders for purchase and redemption of units of the collective investment scheme are performed accurately based on the net asset value thus calculated.

(3) The management company establishes suitable procedures to ensure the correct and accurate evaluation of assets and liabilities for each collective investment scheme it manages in accordance with applicable rules under art. 23 of CISOUCIA.

(4) In the cases where a management company originating from the Republic of Bulgaria manages a collective investment scheme originating from another Member State, it must use accounting policies and procedures adopted, applied, and maintained in accordance with the accounting rules of the Member State of origin of the collective investment scheme.

Art. 23. (1) Accounting policies and procedures include the rules for evaluation of assets and liabilities of the collective investment scheme, and also the system of organisation of this activity, and are based on:

1. the use of a unified and consistent system for evaluation of assets in the portfolio of the scheme;

2. a reliable system for collection of information necessary to establish the net asset value – information sources;

3. rules to avoid conflicts of interest and to ensure protection against the disclosure of internal information;

4. due documentation of decisions associated with establishing the net asset value, including with attaching of the corresponding documents to the minutes with decisions taken;

5. availability of technological and programme support for the calculation of net asset value;

6. a system for storage and protection of documentation associated with establishing the net asset value, on a durable medium.

(2) (Amended – SG, issue 63 of 2016) Information on the rules for calculation of net asset value, their application, as well as other data, on the basis of which net asset value is calculated, is stored under the conditions and in the manner of chapter one, section three of the Accounting act.

Art. 24. (Amended – SG, issue 63 of 2016) (1) In management of activity and where the calculation of the issue value and the redemption price of the collective investment scheme, and also of the indicative net asset value of an exchange-traded fund is assigned to it, the management company must adhere to the rules for calculation of net asset value.

(2) The depositary guarantees that the value of units of the collective investment scheme is calculated by the management company in accordance with the law and rules for calculation of net asset value of the managed collective investment scheme. In cases under par. 1 and in accordance with art. 21, par. 2 of CISOUCIA, the depositary must monitor compliance with the rules for calculation of net asset value of collective investment schemes by the management company.

(3) If assigned with a contract to do so, the depositary must calculate the issue value and the redemption price of units of the collective investment scheme, and also the indicative net asset value of the exchange-traded fund in accordance with the rules for calculation of the net value of its assets.

(4) Where calculation of the indicative net asset value of the exchange-traded fund is assigned under a contract with the management company of the operator of the regulated market, on which the units of the exchange-traded fund are traded, the indicative net asset value is calculated by the operator of the regulated market.

Art. 25. (1) (Amended – SG, issue 63 of 2016) Evaluation of assets and liabilities of the collective investment scheme is performed in accordance with the International accounting standards under § 1, p. 8 of the supplementary provisions of the AA.

(2) Evaluation of the assets of the collective investment scheme is made at initial recognition, and at subsequent evaluation – by fair value.

Art. 26. (1) The fair value of securities and money market instruments issued by the Republic of Bulgaria in the country, traded in places for trade on an active market, is established based on the arithmetic mean of "buy" prices at closing of the market for the last business day, announced by no less than two primary dealers of state securities.

(2) (Supplemented – SG, issue 63 of 2016) The fair value of securities and money market instruments issued by the Republic of Bulgaria abroad, as well as those issued by another Member State and third country, traded in places for trade on an active market is established:

1. by the "buy" price at closing of the market on the day of evaluation announced in an electronic system for pricing information;

2. by the "buy" price at closing of the market for the last business day announced in an electronic system for pricing information in the event that the market has not closed until 15h on the day of evaluation;

3. by the "buy" price at closing of the market for the last business day announced in an electronic system for pricing information in the event that the place for trade does not work on the day of evaluation;

Art. 27. Fair value of transferable securities and money market instruments admitted to or traded in places for trade on an active market is made:

1. by price at closing or another analogous indicator announced publicly as of the day of evaluation by places for trade;

2. by price at closing or another analogous indicator announced publicly as of the day of evaluation by places for trade, at which, for the corresponding day, the largest volume of transferable securities and money market instruments is traded, in the cases where these are admitted to trading on more than one place for trade;

3. by price at closing or another analogous indicator announced publicly by places for trade

for the business day preceding the day of evaluation, if the place for trade has not closed until 15h Bulgarian time.

Art. 28. (1) Fair value of units of collective investment schemes which have acquired a permit to pursue activity under Directive 2009/65/EC of the European parliament and of the Council, and/or of other undertakings for collective investment under art. 38, par. 1, p. 5 of CISOUCIA is established according to the last announced redemption price.

(2) In the cases of temporary suspension of redemption of units of the collective investment scheme, their subsequent evaluation is performed either by last established and announced redemption price, or by fair value per unit.

Art. 29. Fair value of deposits in banks, funds in the cash register, and short-term receivables is established as of the day of evaluation as follows:

1. term and sight deposits, funds in the cash register - by nominal value;
2. short-term receivables without any specified interest rate or income - by self-value;
3. short-term receivables with specified interest rate or income - by self-value.

Art. 30. (1) Fair value of financial instruments of the collective investment scheme at inactive market is established by using evaluation techniques.

(2) Evaluation techniques include the use of prices from recent and fair market transactions between informed and willing parties, report of the present fair value of another asset, which is equivalent to a significant degree, and commonly used methods.

Art. 31. (1) Fair value of transferable securities and money market instruments admitted to or traded in places for trade, in the event that no transactions are concluded with them on the day of evaluation, is established by price at closing or another analogous indicator publicly announced by places for trade for the most recent day from the 30-day period preceding the day of evaluation.

(2) Fair value of transferable securities and money market instruments admitted to or traded at places for trade in the cases where trade is not performed at places for trade on business days for the country, is the price at closing for the day of the last trading session preceding the day of evaluation. In the event that no transactions are concluded on the day of the last trading session preceding the day of evaluation, the fair value of these instruments is established by the price at closing or another analogous indicator announced publicly by places for trade for the most recent day from the 30-day period preceding the day of evaluation. When evaluating bonds and other forms of securitised debt (debt securities), the accrued interest for the corresponding days is also taken into account.

Art. 32. If the financial instruments cannot be evaluated in accordance with the indicated techniques for evaluation under art. 31, one of the following methods is applied for their evaluation:

1. for assets under art. 26, the method of comparable prices for financial instruments with similar payment terms, maturity, and liquidity is applied, or other commonly used methods determined in the rules for calculation of the net asset value;
2. for shares of companies and other securities equivalent to shares, the method of discounted future net cash flows, the method of net value of assets, the method of market multipliers of analogous companies, or other commonly used methods are applied, as determined in the rules for calculation of the net asset value. The selected method or combination of methods, including the sequence, in which they are used, is established in the statute, respectively the rules of the collective investment scheme, and are described in detail in the rules for establishing the net asset value;

3. for bonds and other forms of securitised debt (debt securities), the method of discounted future net cash flows is applied, or other commonly used methods determined in the rules for calculation of the net asset value;

4. money market instruments are evaluated based on nominal value, accrued interest and capital profit/ loss as of the moment of evaluation, or on other commonly used methods determined in the rules for calculation of the net asset value.

Art. 33. The fair value of other financial instruments under art. 38 of CISOUCIA besides those under art. 26-28 is determined in the manner of art. 27, respectively art. 31, or by commonly used evaluation methods indicated in the rules for establishing the net asset value.

Art. 34. The management company continuously monitors the net asset value for each collective investment scheme managed by it.

Art. 35. Financial assets denominated in foreign currency are recalculated in their leva equivalent established in accordance with the central exchange rate of the Bulgarian national bank, valid for the day the evaluation applies to.

Section V
Risk management

Art. 36. (1) The management company, acting at the expense of a collective investment scheme, develops, adopts, and applies suitable written internal rules for risk management for each scheme it manages, with the aim for continuous monitoring and risk evaluation of each item in its portfolio and the effect of that item on the entire portfolio's risk profile.

(2) Internal rules for risk management establish effective procedures for detection of risks each managed collective investment scheme is exposed to or may be exposed to, their management, monitoring, and evaluation, including the market, liquidity risk, and the counterparty risk, as well as the risk exposure of the collective investment scheme to all other essential risks, including operating risk.

(3) The risk management rules under par. 1 shall be adopted by the management body of the management company. The internal rules for risk management of the investment company of open type shall be approved also by its board of directors.

(4) The management body of the management company monitors compliance with the rules for risk management and actively participates in the process of its management.

(5) For compliance with the provisions under par. 4, the management body of the management company notifies periodically, but no less than once per calendar quarter, the board of directors of the investment company of open type.

Art. 37. (1) The internal rules for risk management must be comprehensive and corresponding to the nature, scale, and complexity of the activity of the managed collective investment scheme. The rules must at least contain:

1. policies and procedures for identification of risks associated with the activity and investments;

2. procedures for risk evaluation, applicable evaluation methods;

3. the established internal thresholds for limitation of the risk, the rules for reporting when each threshold is reached, measures to prevent exceeding the risk limitations established by law, as well as permitting exceptions in extraordinary situations;

4. policies and procedures for measuring and management of all essential sources of market, liquidity risk, counterparty risk, all other essential risks, including operating risk;

5. techniques, instruments, and measures allowing compliance with the requirements under art. 44-46;

6. distribution of responsibilities within the management company with regard to risk management;

7. short-term and long-term strategy for the management of all risks associated with the collective investment scheme's activity;

8. frequency of the review of used risk evaluation methods;

9. monitoring and frequency of evaluation of the correspondence of rules for risk management to market conditions;

10. procedures for full, authentic, accurate, and timely documentation, and accounting for all transactions, and evaluation of the effectiveness of transactions;

11. building an effective and timely reporting system including: levels and deadlines for reporting; types of reports presented by the business unit under art. 41 to the commission, the management bodies, the senior management and the persons performing supervisory functions; forms of reporting where errors, irregularities, incorrect use, fraud, or abuse is found.

(2) If the management company, acting at the expense of a collective investment scheme, invests in derivative instruments, the rules for risk management also include:

1. a list of the derivative instruments, in which the collective investment scheme invests;

2. the main risks for each derivative instrument included in the list;

3. limitations on the quantity of investment in each derivative instrument from the list;

4. the selected methods for evaluation of the risk associated with investment in these instruments;

5. methods of measuring the effectiveness of hedging transactions.

Art. 38. (1) (Supplemented – SG, issue 63 of 2016) The management company, at least once a year, performs evaluation, control, and periodic review of:

1. the adequacy and effectiveness of the internal rules for risk management, as well as the measures, processes, and techniques under art. 44-46;

2. the degree of compliance with the rules for risk management and implementation of the measures, processes, and techniques under art. 44-46 by the management company;

3. the adequacy and effectiveness of the measures taken to eliminate defects in the process of risk management.

(2) (new – SG, issue 63 of 2016) The periodic review, control, and evaluation under par. 1 are documented, indicating the date they are performed.

(3) (Renumbered from par. 2 – SG, issue 63 of 2016) The management company must notify the commission about each significant change in the process of risk management.

(4) (Renumbered from par. 3 – SG, issue 63 of 2016) The commission shall verify the presence of procedures for evaluation, control, and recurring review of requirements under par. 1 in the course of the procedure for issuing of a license to the management company to pursue its activity, and the ongoing control for compliance with them is performed by the Deputy Chairperson.

Art. 39. (1) As a result of the review of the rules for risk management under art. 36, par. 1, the management company adopts changes to the rules where necessary.

(2) Changes to the rules shall be submitted for approval to the commission by the management company for the mutual funds managed by it, and by the investment company of open type in the manner of art. 18, par. 2-6 of CISOUCIA.

Art. 40. (1) In order to achieve effective monitoring and management of operating risk, the

management company adopts rules for internal organisation, with clearly defined and transparent levels of responsibility, including between the persons participating in the risk management process.

(2) The rules for risk management under art. 36, par. 1 shall establish the conditions, content, and frequency of reporting of the permanent risk management business unit before the board of directors, before senior management, and, where appropriate, before the persons or the body performing supervisory functions.

Art. 41. (1) In order to apply the rules for risk management, the management company creates a permanent business unit for risk management and ensures its activity.

(2) Employees from the permanent risk management business unit must have a suitable qualification to perform their assigned activities.

(3) The permanent risk management business unit must be hierarchically and functionally independent of the operating units.

(4) The management company may not apply the requirement under par. 3 depending on the nature, scale, and complexity of its activity, and the collective investment schemes managed by it. In this case, the management company shall prove that it has taken the necessary measures against conflicts of interest, in order to ensure the independent functioning of the permanent risk management unit, and also to guarantee that the risk management activities are in compliance with the requirements of art. 40-44 of CISOUCIA.

(5) (new – SG, issue 63 of 2016) The risk management function can be delegated to a third party in compliance with the requirements of art. 106, par. 1-2 and 5-6 of CISOUCIA.

Art. 42. (1) The permanent risk management business unit performs the following functions:

1. develops and applies the risk management system of each collective investment scheme;

2. implements the rules and procedures for risk management;

3. guarantees compliance with the approved internal system for limitation of the collective investment scheme's risk, including with the regulatory limits for the value of the total risk exposure and the counterparty risk under art. 46-48;

4. consults the management body of the management company regarding the establishing of each collective investment scheme's risk profile;

5. regularly reports to the management body of the management company and to the persons performing supervisory functions, where applicable, regarding:

a) correspondence between the present risk level each collective investment scheme managed by it is exposed to and the approved risk profiles of that scheme;

b) correspondence of each collective investment scheme with its internal risk limitation system;

c) adequacy and efficiency of the risk management process and more specifically indicating whether suitable corrective measures are taken in the cases where faults are discovered;

6. regularly reports to the senior management, presenting the current risk level each collective investment scheme is exposed to, and regarding the present or expected breaches of the limits, thus ensuring that suitable and timely actions are taken;

7. performs a review and supports the organisation and procedures for evaluation of OTC derivatives under art. 49.

(2) The management company provides the permanent risk management business unit with the corresponding authorizations and access to the entire information necessary to perform its functions under par. 1.

Art. 43. (1) The management company, acting at the expense of a collective investment scheme, discloses publicly at least once a year information with the following content:

1. information on the aims and policy associated with risk management specifically for each risk, including:

a) policies and procedures for management of the various types of risk;

b) the structure and organisation of the risk management business unit;

c) scope and nature of the systems for reporting and measuring of risk;

d) policies for hedging of risk through derivative instruments and its reduction, and also the policies and procedures for monitoring of the continuous effectiveness of processes of hedging and reduction of risk;

2. information on the used methods for evaluation of each type of risk, and also a description of the corresponding internal and external indicators taken into account when applying the measurement method.

(2) (Amended – SG, issue 63 of 2016) Information under par. 1 is distributed via an Internet page of the management company within 30 days of performing the review under art. 38.

Section VI
Risk management policy. Risk management and measurement

Art. 44. (1) The management company adopts and applies rules for risk management containing suitable and effective organisation measures, procedures, and techniques regarding each collective investment scheme, with the aim for:

1. continuous measurement and management at any moment of risks each collective investment scheme managed by it is or may be exposed to;

2. ensuring compliance with the limitations for the value of the total risk exposure and counterparty risk under art. 46 and 48.

(2) organisation measures, procedures, and techniques under par. 1 are in accordance with the nature, scale, and complexity of the management company's activity and of the collective investment schemes managed by it, and correspond to the risk profile of the collective investment scheme.

(3) The management company takes the following actions for each collective investment scheme managed by it:

1. establishes adequately documented organisational measures, processes, and techniques for the measurement of risks guaranteeing that the risks associated with each item and its influence over the common risk profile are correctly measured based on accurate and reliable data;

2. performs, where necessary, periodic back tests to review the validity of measures for measurement of risk including estimations and evaluations based on a model;

3. performs, where necessary, periodic stress tests and scenario analyses, in order to prepare to perform actions in the event that risks arising from potential changes in market circumstances occur, which may negatively affect the collective investment scheme;

4. establishes, applies, and maintains a documented system of internal risk limitation thresholds for each collective investment scheme, which:

a) ensures compliance with the risk profile of the scheme;

b) indicates the measures applied to manage and control the corresponding risks for each collective investment scheme, taking into account all essential risks established in accordance with art. 37;

5. guarantees that for each collective investment scheme the present risk level corresponds to the level established by the system for internal risk limits under p. 4;

6. establishes, applies, and maintains suitable procedures ensuring the taking of timely corrective measures in the best interest of the unit-holders, in the event that foreseen/ foreseeable breaches of the system for internal risk limits under p. 4 occur.

(4) Internal risk limitation thresholds under par. 3, p. 4 shall be established at levels below the regulatory thresholds under CISOUCIA and the present ordinance. Crossing of each threshold shall be documented by the risk management business unit and shall be reported to the management body of the management company to take corrective actions.

Art. 45. (1) The management company applies suitable procedures for management of liquidity risk of each collective investment scheme in order to ensure compliance with the requirements under art. 21 of CISOUCIA.

(2) The management company performs stress tests where necessary allowing to evaluate the collective investment scheme's liquidity risk in extraordinary circumstances.

(3) The management company manages liquidity risk of the investments of each collective investment scheme managed by it in a way that corresponds to the redemption policy established in the fund's rules, respectively the scheme's statute or prospectus.

(4) (new – SG, issue 63 of 2016) The management company managing an exchange-traded fund performs stress tests at least once a year allowing the evaluation of the fund's liquidity risk in extraordinary circumstances.

(5) (new – SG, issue 63 of 2016) Within 30 days after completing the performed stress tests under par. 2 and 4, the management company notifies the Deputy Chairperson about their results, and also about the actions taken to amend procedures under par. 1, where necessary.

Art. 46. (1) The total risk exposure of the collective investment scheme under art. 43 of CISOUCIA is equal to one of the following values:

1. additional exposure and leverage arising from the use of financial derivative instruments, including embedded derivative instruments under art. 43, par. 4 of CISOUCIA, which cannot be more than the net value of the collective investment scheme's assets.

2. market risk of the collective investment scheme's portfolio.

(2) The total risk exposure of the collective investment scheme may be calculated using one of the following methods:

1. method of commitments;

2. method of value at risk;

3. other advanced risk measurement methods.

(3) The management company calculates the total risk exposure of each of the collective investment schemes it manages at least once a day. Depending on the investment strategy, the value of the total risk exposure may be calculated more frequently.

(4) When calculating a collective investment scheme's total risk exposure using the methods under par. 2, the management company applies a methodology established with the commission's decision. The selected method is motivated in writing based on the scheme's investment strategy, based on the types and complexity of used derivative financial instruments, and also on the share of the collective investment scheme's portfolio comprised of derivative instruments.

(5) If the collective investment scheme applies techniques and instruments for effective portfolio management under art. 42 of CISOUCIA, including redemption agreements, in order to create additional leverage or for exposure to market risk, the management company takes these transactions into account as well, when calculating the total risk exposure of the collective investment scheme.

(6) "Value at risk" within the meaning of par. 2, p. 2, is the maximum value of expected loss at a certain confidence threshold for a certain period of time.

Art. 47. (1) If the management company has adopted the method of commitments for calculation of the total risk exposure of the collective investment scheme, it applies this method consistently to all items in derivative financial instruments, including also the embedded derivative instruments, regardless whether or not they are used as a part of the common investment policy of the collective investment scheme for the purpose of risk reduction or for the purposes of effective portfolio management.

(2) When applying the method of commitments to calculate the total risk exposure of the collective investment scheme, the value of each item in a derivative financial instrument is set equal to the market value of an equivalent item in the underlying asset of this derivative instrument (standard method for commitments). The management companies may also use other methods for calculation of the total risk exposure, which are similar to the standard approach for liabilities, after acquiring an approval from the Deputy Chairperson in the manner of art. 18, par. 2-6 of CISOUCIA.

(3) When calculating the total risk exposure of a collective investment scheme, the management company may take into account netting and hedging agreements, if these agreements do not neglect obvious and essential risks leading to an obvious reduction of the risk exposure.

(4) If the use of derivative financial instruments does not create an additional risk for the collective investment scheme, the underlying exposure is not included in the calculation of liability.

(5) When using the method of commitments, the agreements for temporary lending of funds, concluded on behalf of the collective investment scheme under art. 27 of CISOUCIA, are not included in the calculation of total risk exposure.

Art. 48. (1) The management company, when managing the portfolio of a collective investment scheme, shall not permit the risk exposure of the collective investment scheme to the counterparty in a transaction with OTC derivative financial instruments to exceed the limitations under art. 45 of CISOUCIA.

(2) When calculating the risk exposure of a collective investment scheme to the counterparty, according to the limitations under art. 45 of CISOUCIA, the positive market value of the OTC-traded derivative contract with this counterparty is used.

(3) The management company can net items of the collective investment scheme in derivative instruments with the same counterparty, if it can guarantee application of the netting agreements with the counterparty on behalf of the collective investment scheme. Netting can only be performed for exposures in OTC-traded derivative instruments with the same counterparty. Netting with other exposures of the collective investment scheme to the same counterparty is not permitted.

(4) Management companies may reduce the collective investment scheme's exposure to the counterparty in a transaction with OTC-traded derivative instruments by providing collateral. The provided collateral must be sufficiently liquid. Collateral is liquid, if it can be sold at a price close

to its evaluation before the moment of performing the sale.

(5) When calculating the risk exposure of the collective investment scheme to the counterparty, the management company takes into account limitations under art. 45, par. 1-3 of CISOUCIA, if the management company provides collateral to the counterparty in a transaction with OTC-traded derivative instrument on behalf of the collective investment scheme. The provided collateral may be reflected by net value, if the management company can guarantee application of the netting agreements with this counterparty on behalf of the collective investment scheme.

(6) Management companies calculate limitations for concentration of the issuer under art. 45 of CISOUCIA for each collective investment scheme based on the underlying exposure arising through the use of derivative financial instruments according to the method of commitments.

(7) When calculating a collective investment scheme's risk exposure to a counterparty for an OTC-traded derivative instrument under art. 45, par. 4 and 5 of CISOUCIA, the management companies must include in their calculations any risk exposure to a counterparty for an OTC-traded derivative instrument.

Art. 48a. (New – SG, issue 63 of 2016) (1) The collective investment scheme's risk exposure to a counterparty as a result of transactions with OTC-traded derivative instruments and techniques for effective portfolio management is included when calculating the thresholds under art. 45 and 46 of CISOUCIA.

(2) All assets received by the collective investment scheme as a result of the use of techniques for effective portfolio management are reviewed as collateral and meet the criteria under par. 3.

(3) In the cases where transactions with OTC financial derivatives are made for the collective investment scheme and techniques for effective portfolio management are applied, each collateral used to reduce the risk exposure to the counterparty, at every moment meets the following criteria, as established in the Guidelines for competent authorities and companies managing UCITS:

1. liquidity;

2. evaluation;

3. issuer's quality;

4. correlation;

5. diversification of collateral;

6. risks associated with management of the collateral;

7. when a unit is transferred, the received collateral is held by the collective investment scheme's depositary;

8. the collective investment scheme may initiate enforcement against the received collateral at any time without referring to the counterparty or its approval;

9. non-monetary collateral cannot be sold, re-invested, or pledged;

10. monetary collateral may only be:

a) deposited at a person under art. 38, par. 1, p. 6 of CISOUCIA;

b) invested in high-quality state securities;

c) used for the purposes of repo transactions, with the condition that the transactions are with credit institutions subject to prudential supervision, and that UCITS may at any time receive back the full amount of money together with due interest;

d) invested in short-term funds on the money market.

(4) The monetary collateral under par. 3, p. 10 is invested in compliance with the diversification principles applicable to the non-monetary collateral.

(5) The collective investment scheme may exceed the limitation under par. 3, p. 5, if the collateral is in different transferable securities and money market instruments issued by any of the persons under art. 38, par. 1, p. 9, item "a" of CISOUCIA meeting the requirements under art. 47, par. 3 of CISOUCIA.

(6) In the cases under par. 5 the collective investment scheme determines the Member States, the regional or local authorities, or public international organisations issuing or guaranteeing securities, which can be accepted as collateral, which may exceed 20 per cent of the net value of its assets, by notifying this in its prospectus.

(7) The management company, for every collective investment scheme receiving collateral of no less than 30 per cent of its assets, develops and applies a policy guaranteeing performing of stress tests in normal and extraordinary conditions of liquidity, so as to allow the collective investment scheme to evaluate the liquidity risk associated with the collateral.

(8) The policy for the liquidity stress tests under par. 7 shall include at least the following elements:

1. development of an analysis of a stress test scenario, including calibration, certification, and sensitivity analysis;

2. empirical approach to evaluation of the effect, including the back tests of evaluations of liquidity risk;

3. frequency of reporting and threshold (thresholds) of eligibility of the limit/ loss;

4. measures to reduce the loss, including a policy for anticipation of possible losses and protection against the risk of inconsistency.

(9) The management company implements a clear policy for anticipation of possible losses for each collective investment scheme, corresponding to each type of assets received as collateral. When developing the policy for anticipation of possible losses, the following are taken into account:

1. characteristics of the assets, such as credit standing or price volatility;

2. results of stress tests performed in accordance with par. 5.

(10) The policy under par. 9 is drawn up in a separate document and justifies each decision for anticipation of a specific possible loss or for the lack of anticipation of one with regard to a given asset type.

(11) The management company implements a policy for collateral and a policy for reinvestment of monetary collateral for each collective investment scheme.

Art. 49. (1) The management company ensures that the value of the collective investment scheme's exposure to OTC-traded derivative instruments is established by fair value, which is not based solely on market quotes of the counterparty from transactions with OTC-traded derivatives, but also meets the criteria under art. 18, par. 3.

(2) In order to ensure the establishing of the fair value of the collective investment scheme's exposure to OTC-traded derivative instruments, the management company determines, performs, and maintains the corresponding organisation measures and rules guaranteeing the correct, transparent, and fair evaluation of a collective investment scheme's exposure.

(3) The fair value of OTC-traded derivative instruments is established based on an adequate, accurate, and independent evaluation. The measures and rules for evaluation under par. 2 must be adequate and correspond to the nature and complexity of the corresponding OTC-traded derivative instruments.

(4) The management company may use a fair value of a collective investment scheme's exposure to OTC-traded derivative instruments established by a third party under par. 2, if:

1. the measures and rules under par. 4 permit this;

2. the third party meets the requirements under art. 117, par. 2, and art. 132, par. 1.

(5) With regard to the procedures for evaluation of OTC-traded derivative instruments under par. 1-4, the risk management business unit is assigned specific obligations responsibilities.

Section VII
Techniques for effective management of the portfolio of collective investment schemes

Art. 50. (1) Collective investment schemes may use techniques and instruments associated with transferable securities and money market instruments for effective portfolio management, constituting contracts for the purchase or sale of financial instruments with a redemption clause (repo transactions), with the condition that the transactions are economically suitable, the risks

arising from them are adequately identified in the process of risk management, and with the condition that they serve to achieve at least one of the following aims:

1. reduction of risk;

2. reduction of expenses;

3. generation of additional income for the collective investment scheme with a risk level corresponding to its risk profile and the rules for risk diversification.

(2) The use of techniques under par. 1 may not lead to a change in investment aims and limitation or increase of the collective investment scheme's risk profile indicated in the statute, respectively the rules, prospectus, and rules approved by the commission, respectively Deputy Chairperson.

(3) The collective investment scheme may conclude repo transactions under par. 1 only if this option is provided for in the statute, respectively the rules of the collective investment scheme, and also in its prospectus.

(4) The collective investment scheme may only conclude repo transactions under par. 1, if the counterparties in them are credit or financial institutions subject to prudential supervision by a competent authority from a Member State or another state party to the Treaty for the Economic Co-operation and Development.

(5) The collective investment scheme may only conclude repo transactions under par. 1 with financial instruments, in which it may invest under art. 38 of CISOUCIA.

(6) The collective investment scheme presents to the commission, in its periodic financial reports, separate information on all financial instruments purchased, respectively sold, as a result of repo transactions under par. 1, disclosing information on the total value of effective contracts as of the date of drawing up the report.

(7) When concluding the repo transactions under par. 1, the collective investment scheme's risk exposure to each individual counterparty may not exceed 10 per cent of its assets, when the counterparty is a bank under art. 38, par. 1, p. 6 of CISOUCIA, and 5 per cent of assets in other cases.

Art. 51. (1) The collective investment scheme may conclude repo transactions for the purchase of financial instruments with a clause for their redemption by the seller at a price and within a period established in the contract between the two parties, in compliance with the following limitations:

1. while the contract is in effect, the collective investment scheme may not sell the financial instruments representing the object of the contract, before the counterparty has exercised its right or the final deadline for redemption has expired, unless it has other available means to perform its contract obligation; the previous sentence does not apply in the cases where the counterparty has not performed its obligations under the repo transaction contract, and according to the contract, non-performance gives the collective investment scheme the right to sell financial instruments;

2. the value of repo transactions concluded by the collective investment scheme must not hinder performance of its obligation to redeem its units at any time by request from their holders.

(2) Financial instruments which can be subject to a transaction under par. 1 are as follows:

1. money market instruments within the meaning of art. 38, par. 1, p. 9 of CISOUCIA:

2. bonds issued or guaranteed by a Member State or another state party to the Treaty for the organisation for Economic Co-operation and Development, its central bank, its local government authorities, by the European central bank, the European investment bank, or by a public international organisation, of which at least one Member State is a member, and also qualified debt securities issued or guaranteed by third states with a credit rating no lower than investment

awarded by a credit rating agency registered or certified in accordance with Regulation (EU) No. 1060/2009;

3. shares or units issued by a collective investment scheme under art. 38, par. 1, p. 5 of CISOUCIA;

4. bonds traded on a regulated market in a Member State or another country party to the Treaty for the organisation for Economic Co-operation and Development, trading in which obligations is sufficiently liquid;

5. shares traded on a regulated market in a Member State or another state party to the Treaty for the organisation for Economic Co-operation and Development, with the condition that these shares are included in an index maintained on this market.

Art. 52. The collective investment scheme may conclude repo transactions for the sale of financial instruments with a clause for their redemption by the collective investment scheme at a price and within a period established in the contract between the parties, whereas when the maturity date comes, they must have sufficient available funds to repay the agreed sum for redemption of the financial instruments.

Section VIII

Requirements for issuing of a permission to use a loan to an investment company, respectively to a management company or depositary, when acting at the expense of a mutual fund

(Title amended – State Gazette, issue 63 of 2016)

Art. 53. (Amended – SG, issue 63 of 2016) In order for a permit to be issued to the investment company, the management company, or the depositary, when acting at the expense of the collective investment scheme, for the use of a loan, a request is submitted to the Deputy Chairperson using a standard form approved by him/ her, attaching the following:

1. minutes of the meeting of the competent body according to the statute, respectively the rules of the collective investment scheme, at which the decision to use a loan and its amount is taken;

2. justification of the loan, including information on the submitted orders for redemption of units of the collective investment scheme as of the moment of submitting the request, and the determined redemption price for the last 3 months, as well as the liabilities for redemption, which have arisen;

3. plan of the collective investment scheme's activity, containing at least the following data:

a) volume and structure of investments in the portfolio;

b) estimated financial results for the next 6-month period;

c) plan for repayment of the loan funds;

4. detailed information on collateral and guarantees;

5. (amended – SG, issue 63 of 2016) financial report in accordance with the requirements of art. 29, par. 9 of AA as of the last day of the month preceding the date of submission of the request;

6. draft of the loan contract and the repayment plan coordinated with the bank, which will grant the loan.

Art. 54. (1) The Deputy Chairperson makes a decision on the request for use of a loan

under the terms of art. 27, par. 4 of CISOUCIA.

(2) (Amended – SG, issue 63 of 2016) After acquiring the permission to use a loan, the investment company, respectively the management company or the depositary, must notify the Deputy Chairperson about the concluded loan contract and provide a copy of it within a 3-day period from the date of its conclusion.

Art. 55. The collective investment scheme may only use more than one loan if, within the same period, the total amount of loans does not exceed the amount indicated in art. 27, par. 3 of CISOUCIA.

Art. 56. (1) (Amended – SG, issue 63 of 2016) The investment company, the management company, or the depositary, when acting at the expense of the collective investment scheme, may acquire foreign currency using a compensation loan, for the purpose of effective management of the collective investment scheme's expenses.

(2) The compensation loan occurs in the cases where a bank, with which the collective investment scheme has a contractual relationship, against the collective investment scheme's deposited currency, provides granting of a loan from a foreign partner bank to the scheme in the corresponding foreign currency.

(3) Loan funds under par. 1 may be used for:

1. payment of submitted orders for redemption of units in the collective investment scheme outside the territory of the Republic of Bulgaria;

2. purchase of instruments under art. 38 of CISOUCIA.

(2) The collective investment scheme's exposure to the loan under par. 1 may not exceed 10 per cent of its assets. Articles 54, par. 2, and art. 57 apply respectively.

Art. 57. (Amended – SG, issue 63 of 2016) The investment company, respectively the management company, or the depositary, must present to the Deputy Chairperson once a month, no later than the 10th day of the following month, a report of the use of loan funds, and also of its repayment until the obligation is fulfilled entirely.

Art. 58. (1) (Amended – SG, issue 63 of 2016) The loan creditor may only be a bank, with the exception of a bank, which is a depositary of the collective investment scheme.

(2) The use of a loan without the prior permission of the Deputy Chairperson is null with respect to the unit-holders. The loan is not taken into account when calculating the net value of the collective investment scheme's assets.

Section IX
Activity for issuing (sale) and redemption of units of a collective investment scheme

Art. 59. (1) (Amended – SG, issue 63 of 2016) The activity for issuing (sale) and redemption of units of a collective investment scheme is performed through a management company based on a written contract with the client. For the procedure and manners of conclusion of contracts, art. 25 and 26a-26c of Ordinance No. 38 of 2007 on the requirements to the activity of investment intermediaries (SG, issue 67 of 2007) (Ordinance No. 38) apply respectively.

(2) issuing (sale) of units of the collective investment scheme may be performed only if the issue value of units is fully paid.

Art. 60. (1) The issue value and the redemption price of units of the collective investment

scheme is based on the net value of the scheme's assets as of the date of its estimation.

(2) Expenses on issuing and/or redemption of units, if such are stipulated in the statute or rules of the collective investment scheme, must be expressly specified when announcing the issue value and the redemption price of units of a collective investment scheme.

Art. 61. (2) In the event of changes to the amount of expenses for issuing and redemption of units of the collective investment scheme, the management company must notify unit-holders in a suitable manner after registering the amendments in the statute in the commercial register, respectively immediately after approval of amendments in the mutual fund's rules.

(2) The obligation under par. 1 is fulfilled no later than the day following the day, on which the registration, respectively approval of amendments has become known.

Art. 62. (1) The management company performs the order for purchase of shares of the investment company of open type up to the amount deposited by the investor, which is divided by the established price for one share, based on the issue value for the nearest day following the day, on which the order is made, and the number of purchased shares is rounded to the smaller integer. The remainder of the deposited sum is reimbursed to the investor within a 3-day period from the date of performing of the order.

(2) Paragraph 1 does not apply in the event of sale of units of a mutual fund, if the mutual fund does not issue partial units.

Art. 63. (Amended – SG, issue 63 of 2016) (1) The issue value and the redemption price of units of the collective investment scheme, and also the indicative net value of assets of the exchange-traded fund, are calculated by the depositary or by the management company under the depositary's control.

(2) In the event that the depositary discovers violations or errors in the calculation of the issue value and the redemption price of units, it notifies the management company and makes corrections to the issue value and redemption price.

(3) The depositary's obligation under par. 2 is performed before announcing the issue value and redemption price within a period indicated in the rules for evaluation of assets.

(4) Calculation of the indicative net asset value of the exchange-traded fund may be assigned by the management company to the operator of the regulated market based on a concluded contract.

Art. 64. (1) (Amended – SG, issue 63 of 2016) If an error is made in the calculation of the value of a unit, as a result of which its issue value is inflated or its redemption price is reduced by over 0.5 per cent of the net asset value per unit, the depositary or the management company must reimburse the difference to the unit-holder who purchased the unit at an inflated issue value, respectively who redeemed the unit at a reduced price, from the collective investment scheme's funds within a 10-day period from the discovery of the error, unless the unit-holder was being unscrupulous.

(2) (Amended – SG, issue 63 of 2016) If an error is made in the calculation of the value of a unit, as a result of which its issue value is reduced or its redemption price is inflated by over 0.5 per cent of the net value of assets per unit, the depositary or the management company must reimburse the collective investment scheme for the due amount from their own funds within a 10-day period from the discovery of the error.

(3) (Amended – SG, issue 63 of 2016) If the error made in calculation of the net value of

assets per unit does not exceed 0.5 per cent of the net value of assets per unit, the depositary or the management company shall take the necessary measures to avoid errors in calculation of the net value of assets per unit and to sanction the responsible persons.

(4) When calculating the net value of assets per share of the investment company, respectively per unit of a mutual fund, the issue value or redemption price is rounded to the fourth character after the decimal point.

Art. 65. (1) Orders for purchase or redemption of units of a collective investment scheme include the following requisites:

1. the name of the corresponding collective investment scheme;
2. the person making or submitting the order;
3. the person receiving the order;
4. the date and time of submitting the order;
5. conditions and payment method;
6. type of order (sale of redemption);
7. date of implementation of the order;
8. number of subscribed or redeemed units;
9. issue value or redemption price of each unit;
10. total value of subscribed or redeemed units;
11. gross value of the order, including sale fees, or net value after the fee for redemption.

(2) The management company undertakes all necessary measures to guarantee that each accepted order for subscribing or redemption of units of each collective investment scheme managed by it is collected and stored in a centralized manner, and orders are entered immediately after they are received.

(3) Submission of orders under par. 1 via an authorized person is permissible only if a notarized power of attorney is presented, containing representative authority to perform management or enforcement actions with financial instruments.

(4) The management company archives the original power of attorney under par. 4 or a notarized transcript of it.

Art. 66. (1) Orders for the purchase of units of the collective investment scheme are performed within 7 days of the date of submission of the order.

(2) Orders for redemption of units of the collective investment scheme are performed within 10 days of the date of submission of the order.

(3) (new – SG, issue 63 of 2016) The minimum volume of the order for the purchase of units of an exchange-traded fund is 10,000 units.

(4) (new – SG, issue 63 of 2016) The minimum volume of the order for redemption of units of an exchange-traded fund is 25,000 units, whereas the management company, in accordance with art. 24c, par. 1 of CISOUCIA may establish a larger minimum number of units.

(5) (Renumbered from par. 3 – SG, issue 63 of 2016) When performing a sale or redemption of units of a collective investment scheme, the management company notifies, on a durable medium, the unit-holder about performance of the order as soon as possible. Confirmation under the first sentence may not be later than the first working day after implementation, or, if the management company has received the confirmation from a third person, no later than the first working day after receiving the confirmation from the third person.

(6) (Renumbered from par. 4, amended – SG, issue 63 of 2016) The requirement under par.

5 does not apply in the event that confirmation would contain the same information as confirmation sent immediately to the unit-holder by another person.

(7) (Renumbered from par. 5, amended – SG, issue 63 of 2016) Confirmation under par. 5 includes the following information:

1. identification of the management company;
2. name, respectively company name of the unit-holder;
3. date and time of receiving the order and payment method;
4. date of implementation of the order;
5. identification of the collective investment scheme;
6. type of order (sale of redemption);
7. number of units;
8. issue value or redemption price;
9. date, on which the value under p. 8 is established;
10. total value of the order, including sale fees, or net amount after the fees for redemption;
11. total amount of accrued commissions and costs, and, where the investor wishes for it, breakdown by items.

(8) (Renumbered from par. 6, amended – SG, issue 63 of 2016) Where a unit-holder's orders are performed periodically, the management company undertakes the actions indicated in par. 5, or at least once every six months provides the unit-holder with the information indicated in par. 5 for these transactions.

(9) (Renumbered from par. 7 – SG, issue 63 of 2016) The management company provides to the unit-holder, when requested, information regarding the condition of orders submitted by him/her.

(10) (Renumbered from par. 8 – SG, issue 63 of 2016) For the purposes of providing information under the present article by electronic means of communication, the provisions of art. 106, par. 3 apply.

(11) (new – SG, issue 63 of 2016) An exchange-traded fund, which has stipulated limitations in accordance with art. 24 c, par. 1 of CISOUCIA in its rules, determines in detail the circumstances, in which limitations for redemption do not apply in accordance with art. 24c, par. 2 of CISOUCIA.

(12) (new – SG, issue 63 of 2016) With a permission from the Deputy Chairperson, the management company managing an exchange-traded fund may perform an order for the purchase or redemption of units of the fund with a volume lower than that established under par. 3 and 4, or as determined in the fund's internal acts. Art. 18 CISOUCIA applies respectively. Documents proving the need to perform the order for purchase, respectively redemption, shall be attached to the request for issuing of a permission.

Art. 67. (Amended – SG, issue 63 of 2016) The management company must deposit the funds received in cash for the issue (sale) of units of a collective investment scheme to a bank account opened specifically for this purpose with the depositary of the collective investment scheme no later than the end of the following working day.

Art. 68. (1) The management company guarantees storing of the orders under art. 65 and art. 137 for a period of at least five years. In extraordinary circumstances the commission may require the management company to store some of the documents or the entire documentation for a longer period depending on the nature of the financial instruments or the transactions with assets from the portfolio, if this is necessary, so that the commission may exercise its supervisory

functions.

(2) After withdrawal of the management company's permission to manage the activity of the collective investment scheme or withdrawal of the management company's license, the commission may require it to store the documentation under par. 1 for the remaining part of the five-year period.

(2) If the management company transfers its responsibilities with regard to the collective investment scheme it manages to another management company, the commission or the competent authorities of the corresponding Member State may require the conclusion of the necessary agreement, so that the entries for the last five years may be available to the management company, to which the responsibility is transferred.

(4) Documentation and entries are stored on a medium allowing storing of information in a way that makes it available for future reference by the commission, and in such form and manner, so as to comply with the following requirements:

1. the commission may receive it easily and is able to reproduce all main stages of processing for each transaction from the portfolio;

2. easy verification is possible for all amendments and other modifications, as well as the content of documents before these amendments and modifications;

3. forging or replacing of documents in any other way must be impossible.

Art. 69. (1) In the cases under art. 22, par. 1 of CISOUCIA, the management company must suspend redemption, indicating the term of suspension, if such is envisioned.

(2) Together with the order to suspend redemption, the management company stops issuing units for the duration of suspension.

(3) (Amended – SG, issue 63 of 2016) The management company, on behalf of the collective investment scheme, notifies about the circumstances under par. 1 the commission and the corresponding competent authorities of all Member States, in which it offers its units, regarding the taken decision before the end of the business day, respectively notifies of resuming of redemption by the end of the business day preceding resuming, and also the depositary.

(4) The collective investment scheme, respectively its management company, must notify unit-holders in the cases under par. 1 on the decision made to suspend redemption, complying with the requirements under art. 22, par. 4 of CISOUCIA.

(5) (Amended – SG, issue 63 of 2016) In the event that the term under par. 1 needs to be extended, the management company must notify about this the commission, the depositary and the regulated market where the collective investment scheme's units are traded, in the manner of art. 22, par. 2 and 4 of CISOUCIA no later than 7 days before expiration of the period determined by it initially. If the period of suspension is shorter than seven days, including in the cases where redemption was suspended for technical reasons, the management company makes notifications under the previous sentence by the end of the working day preceding the date, on which redemption should have been resumed.

(6) (Amended – SG, issue 63 of 2016) Orders submitted after the last announcement of the redemption price before the initial date of the suspension period are not performed. The management company shall reimburse the sums to investors who submitted orders for the purchase of shares and units, to their bank account or at the company's cash desk by the end of the working day following the day, on which the decision for suspension of issuing is taken.

(7) The issue value and redemption price after resuming of redemption must be announced on the day preceding resuming. The next estimation and announcement of the issue value and redemption price is done on the days indicated in the prospectus.

(8) In cases under art. 22, par. 1 of CISOUCIA, the management company shall order the persons, to whom it has delegated performance of actions for the sale and redemption of units of a collective investment scheme, to suspend accepting orders for sale and redemption of units for the period of suspension. Paragraphs 5-7 apply accordingly.

Art. 70. (1) The management company must notify the last date for conclusion of transactions with shares in the investment company of open type, as a result of which the purchaser may exercise its right to vote in the general assembly of shareholders.

(2) The management company must announce the last day for conclusion of transactions with shares in the investment company of open type, respectively units of mutual funds, as a result of which the purchaser has the right to receive the dividend on the shares, respectively income from units voted at the general assembly of shareholders of the investment company, respectively by the competent body of the management company.

(3) The management company performs notification under par. 1 and 2 in a suitable manner in all places where issuing (sale) and redemption of shares in the investment company of open type, respectively units of the mutual fund, is performed.

Section X

Requirements to the prospectus, the Key investor information document, periodic information, marketing messages, and public statements of the collective investment scheme

Art. 71. (1) (Amended – SG, issue 63 of 2016) The prospectus of the collective investment scheme contains at least the information under appendix No. 1.

(2) (Amended – SG, issue 63 of 2016) When preparing the Key investor information document when calculating synthetic risk and reward indicators and quantitative indicators for expenses, the collective investment scheme applies the CESR guidelines on the methodology for the calculation of the synthetic risk and reward indicator in the Key Investor Information Document (CESR guidelines/10-673).

Art. 72. (1) The collective investment scheme must provide to the commission and the public:

1. an annual report within 90 days of completing the financial year;

2. a six-month report encompassing the first six months of the financial year, within 30 days of the end of the reporting period.

(2) The investment company or the management company of the collective investment scheme must present to the commission by the 10th day of the month following the reporting month, a monthly balance and information on:

1. the volume and structure of investments in the portfolio by issuers and types of securities and other financial instruments;

2. the types of derivative instruments, main risks associated with underlying assets of derivative instruments, quantitative limitations and selected methods for evaluation of risk associated with the transactions with derivative instruments.

(3) The commission publishes the received information under par. 1 through the registers it keeps. Information under par. 2 is not published and it serves only for the commission's

supervisory purposes.

(4) (new – SG, issue 63 of 2016) The investment company or the management company of the collective investment scheme, up to the 10th day of the corresponding month, announces on its Internet page summary information on the structure of the collective investment scheme's portfolio as of the last date of the previous month, containing at least data on the percentage of the fund's assets invested in the various types of financial instruments.

Art. 73. (Previously text of par. 1 – SG, issue 63 of 2016) The collective investment scheme's annual report contains:

1. an annual financial report under the Accounting act certified by a registered auditor, as well as an auditor's report;

2. (amended – SG, issue 63 of 2016) an annual report on the activity under art. 39 of the Accounting act;

3. in the cases where the collective investment scheme invests a significant part of its assets in the manner of art. 48, par. 3 of CISOUCIA, the maximum ratio of the management remuneration of the management company and/or the other company associated with the management company, paid by the investing collective investment scheme, on one side, and by the collective investment scheme it invests in, on the other side;

4. (amended – SG, issue 63 of 2016) reports from a financial report: reports according to a standard form consisting of an accounting balance, income report, cash flow report, and report on the changes in equity established by the Deputy Chairperson based on the international accounting standards and best international practices;

5. additional information including:

a) number of units as of the end of the reporting period;

b) net asset value per unit;

c) volume and structure of investments in the portfolio by types of financial instruments and market, on which they are traded, analyzed using the most suitable economic, geographical and currency indicators in accordance with the collective investment scheme's policy with indication of their relative share in assets;

d) changes in the portfolio structure, which have occurred during the reporting period;

e) (amended – SG, issue 63 of 2016) changes in the condition of assets within the reporting period, including income from investments; other income; management expenses; depositary's fee for servicing; other payments and taxes, net income; distribution of income and investments of this income; changes in own funds; increase or reduction of investments and all other changes which have affected the value of assets and liabilities, expenses made by the collective investment scheme associated with transactions with assets from the portfolio;

f) comparison table encompassing the last three financial years indicating as of the end of each financial year the total value of net assets and net value per unit;

g) detailed information on the liabilities arising from transactions with derivative instruments under art. 38, par. 1, p. 7 and 8 of CISOUCIA for the reporting period, by transaction categories;

6. (new – SG, issue 63 of 2016) information on the remuneration policy:

a) the total amount of remuneration for the financial year with a breakdown by constant and variable remuneration paid by the management company and the investment company to its employees, the number of recipients, and, where applicable, all sums paid directly by the collective investment scheme itself, including a fee for achieved results;

b) the total amount of remuneration with breakdown by categories of employees or other staff members in accordance with art. 108, par. 1 of CISOUCIA;

c) a description of the methods of calculation of remunerations and benefits;

d) the result of reviews under art. 108, par. 5 and 6 of CISOUCIA, including any irregularities found;

e) significant changes in the adopted remuneration policy.

(Par. 2, repealed – SG, issue 63 of 2016).

Art. 74. (1) The Commission verifies regularity and completeness of presented information under art. 72, par. 1 and 2, whereas in the event that gaps and other inconsistencies are discovered, by the Deputy Chairperson's demand the investment company or the management company of the collective investment scheme must rectify these within a sufficient period determined by the Deputy Chairperson.

(2) (Amended – SG, issue 63 of 2016) The Deputy Chairperson takes a decision under par. 1 in the manner of art. 265 of CISOUCIA.

Art. 75. The six-month report of the collective investment scheme includes:

1. (amended – SG, issue 63 of 2016) set of financial reports in the form of excerpts according to a standard form consisting of an accounting balance, income report, cash flow report, and report on the changes in equity established by the Deputy Chairperson based on the international accounting standards and best international practices;

2. additional information under art. 73, par. 1, p. 5, items "a"-"e".

Art. 76. (1) The collective investment scheme also submits to the commission, along with the six-month and annual report, reports on the volume and structure of investments in the portfolio by issuers, as well as other excerpts according to a standard form established by the Deputy Chairperson.

(2) (Supplemented – SG, issue 63 of 2016) With the annual and six-month report, the collective investment scheme presents information individually about all financial instruments purchased, respectively sold within repo transactions under art. 50, par. 1, disclosing also the total amount of contracts in effect as of the date of drafting of the report, and also information on the contracts terminated during the reporting period.

(3) Information under par. 1 and 2 is not published and it serves only for the commission's supervisory purposes.

Art. 77. (1) (Previously text of article 77 – SG, issue 63 of 2016) The management company of the collective investment scheme presents to the commission and publishes in a way determined in the prospectus, summary information on the announced issue values and redemption prices of units at least twice a month at regular time intervals, containing the following data presented in a table:

1. date of estimation of the issue value and redemption price;
2. net value of assets;
3. number of units in circulation;
4. net value of assets per unit;
5. issue value;
6. redemption price.

(2) (new – SG, issue 63 of 2016) The management company of an exchange-traded fund provides to the regulated market or the multilateral system for trade, at which the units of the fund are admitted to trade, and publishes on its Internet page:

1. information under par. 1 by the end of the day, on which the net value of the fund's assets is calculated;

2. information on the indicative net value of the fund's assets immediately after it is determined.

(3) (new – SG, issue 63 of 2016) Information under par. 2, p. 2 about calculated net values is provided to the commission once a day after the end of the trade session.

Art. 78. The collective investment scheme provides to the commission information under the present section in the manner of art. 43 of Ordinance No. 2 of 2003 for the prospectuses at public offering of securities and for revealing of information by the public companies and the other issuers of securities. (promulgated, SG issue 90 of 2003; amended, issue 12 and 101 of 2006, issue 82 of 2007 and issue 37 of 2008) (Ordinance No. 2).

Art. 79. The collective investment scheme discloses to the public the information under art. 72, par. 1 in the manner established in the prospectus and the Key information document.

Art. 80. (1) The collective investment scheme from the Member State, which offers publicly its units in the Republic of Bulgaria, publishes and provides to the commission the entire information provided to the supervisory authority and discloses to the public in the sending country, as well as each update of this information.

(2) (Amended – SG, issue 63 of 2016) When requested by an investor, information under par. 1 is provided in Bulgarian.

Art. 81. (1) Marketing messages associated with the activity of collective investment schemes, as well as public statements of members of the board of directors of the investment company and of other persons working under a contract for the investment company, respectively the members of the management and control body of the management company and other persons working under a contract for the management company, must be approved in advance by the chief of the regulatory compliance department.

(2) Where telephone calls are made, including by using a recorded message, to sell units of a collective investment scheme, the following requirements must be met:

1. (amended – SG, issue 63 of 2016) the permissible time interval, during which these calls may be made, is from 10 to 19h;

2. during these calls, the following must be stated:

a) the identity of the caller and the name of the collective investment scheme, as well as its management company, the shares, respectively units, of which are subject to offering;

b) the telephone number or the address, at which the person offering units of the collective investment scheme may be contacted;

c) the purpose of calling, where it is an offer for transfer against payment or an invitation to make an offer for purchasing of units of a collective investment scheme;

d) the management company's obligation to give the investors an opportunity to familiarise themselves with a current version of the collective investment scheme's prospectus.

Art. 82. When presenting the results of the collective investment scheme's activity in a marketing message, the following requirements must be met:

1. presenting the results of activity may be done only if at least 6 months have elapsed since starting the corresponding scheme's activity;

2. results for the elapsed year are presented after preparing the annual report of the collective investment scheme under art. 73, par. 1;

3. results of the collective investment scheme's activity may be compared against:

a) profitability of other collective investment schemes with similar investment aims and policy;

b) suitable wide-based market index of securities traded on regulated markets;

c) interest on deposits;

d) inflation levels, whereas the reviewed period for comparison may not be shorter than 5 years, and if 5 years have not elapsed since starting the collective investment scheme's activity – for the period preceding the marketing message.

Section XI

(New – SG, issue 63 of 2016)

Additional requirements for exchange-traded funds

Art. 82a. (New – SG, issue 63 of 2016) (1) The minimum net asset value of an exchange-traded fund may not be less than BGN 100,000 and must be reached within 30 days of confirmation of the prospectus. Article 7, par. 1, and art. 9, par. 1 of CISOUCIA apply respectively.

(2) The exchange-traded fund, after expiration of the deadline under par. 1, shall announce the accrued amount of net asset value in its Internet page and notify the commission.

(3) If within the deadline under par. 1, the minimum volume of net asset value is not reached, the fund removes the qualifier "exchange-traded fund", "exchange-traded investment undertaking", or other terms implying trading the issued units on a regulated market or a multilateral trading system, from its name, and the rules for collective investment schemes apply to its activity. Within a 7-day period from expiration of the deadline under par. 1, the fund shall submit a request under art. 18 of CISOUCIA for approval of changes to its internal acts, after which it shall update its prospectus and the Key investor information document.

Art. 82b. (New – SG, issue 63 of 2016) (1) Besides the cases under art. 24b of CISOUCIA, the deadline for submission of a request for admission of units of the fund to trading on a regulated market or a multilateral trading system is established in the fund's prospectus.

(2) In the event that the fund is not admitted to trading within the period stipulated under par. 1, it removes from its name the term "exchange-traded fund", "exchange-traded investment undertaking", or any other term implying trading of issued units on a regulated market or a multilateral trading system. Art. 82a, par. 3, sentence two applies to the fund.

Art. 82c. (New – SG, issue 63 of 2016) (1) The management company of the exchange-traded fund or the depositary shall calculate and announce the net asset value, issue value and redemption price of units at least twice a week. The fund's rules may stipulate that the net value of its assets is the last indicative net asset value calculated on the day when the issue value and price of redemption is calculated.

(2) The management company of the exchange-traded fund or the depositary shall calculate and announce at least twice a day the indicative net asset values at times within the trading session established in the fund's prospectus. The indicative net asset value under the first sentence may also be calculated by the market operator based on a contract concluded with the management company.

(3) Before the end of each business day, the management company must notify the regulated market or the multilateral trading system, on which units of the exchange-traded fund are admitted for trading, about the number of units of the fund in circulation in order to ensure the necessary information to commence trading on the following business day.

Art. 82d. (New – SG, issue 63 of 2016) (1) The management company of an exchange-traded fund concludes a contract with a market maker which must ensure continuous "buy" and "sell" quotes for the exchange-traded fund and thus guarantee that the exchange price of units of the fund does not differ significantly from their value established on the basis of net asset value.

(2) The market maker of an exchange-traded fund maintains "buy" and "sell" quotes in a maximum price range of 5% of:

1. at opening auction: the last announced NAV (if the same is estimated every day) or of the last announced indicative net asset value for the previous day calculated with prices at closing, if no NAV is announced for that day;

2. at continuous trade phase: from the last announced indicative net asset value.

(3) Each of the "buy" and "sell" quotes under par. 2 has a minimum amount as of the moment of entering in the trading system, which is established in the rules of the regulated market or the multilateral trading system.

(4) The market maker enters a new "buy" or "sell" quote within the term of withdrawal, respectively implementation of the quote entered previously, as established in the rules of the trading place.

(5) The management company shall submit a motivated request to the regulated market or the multilateral trading system, where the units in the exchange-traded fund are traded, to stop the trade of units of the fund, when conclusion of transactions is suspended, terminated or restricted on a regulated market or a multilateral trading system, where a significant part of the exchange-traded fund's assets are admitted or traded. The regulated market or the multilateral trading system shall stop trading with the units of the exchange-traded fund and shall immediately notify the commission.

(6) Trade with units of an exchange-traded fund, terminated in the manner of par. 5, is resumed by request from the management company, and when the conditions under par. 5, sentence one, no longer apply.

(7) The commission may stop or resume trading of units of an exchange-traded fund, when

the interests of unit-holders or the market require this.

Art. 82e. (New – SG, issue 63 of 2016) (1) The prospectus under art. 53a of CISOUCIA of the exchange-traded fund includes information on the manner of rounding the issue value and redemption price of units.

(2) The manner of rounding, as established in the prospectus, is the same for the activity for issuing and redemption of units.

(3) The prospectus and marketing messages of an exchange-traded fund include a warning with the following content: "Units purchased on the secondary market may not in principle be redeemed by the exchange-traded fund. Investors must buy and sell units on a secondary market using an investment intermediary, and may owe fees for this. Furthermore, investors might pay more than the present net value of assets when buying units on a secondary market, and receive less than the present net value of assets when selling them."

(4) The exchange-traded fund discloses in the prospectus the procedure in accordance with which units purchased on a secondary market will be redeemed from investors, if circumstances under art. 24c, par. 2 of CISOUCIA arise.

(5) The exchange-traded fund discloses clearly in the prospectus, in the Key investor information document, and in marketing messages the policy regarding portfolio transparency, indicating the places where information on the portfolio may be acquired, including the places where the indicative net asset value is published.

(6) The exchange-traded fund discloses clearly in the prospectus how net asset value is calculated and the frequency of calculation.

Art. 82f. (New – SG, issue 63 of 2016) (1) In the annual and six-month reports for the financial reports of an exchange-traded index tracking fund, the size of tracking error by the end of the reporting period is indicated. The fund's annual report under sentence one includes an explanation of deviation between the expected and achieved tracking error for the corresponding period, if any, and also the value and explanation of the annual difference of tracking between the results of the fund's activity and the results of the tracked index.

(2) The exchange traded leveraged index tracking fund must comply with limitations and rules regarding the global risk exposure established under art. 43 of CISOUCIA. The fund calculates its global risk using its approach for liabilities or the approach for relative value at risk in accordance with the Guidelines on Risk Measurement and the Calculation of Global Exposure and Counterparty Risk for UCITS (CESR Guidelines/10-788). The limit for global risk exposure applies also for an exchange-traded fund replicating an leveraged index.

(3) The index tracking exchange-traded fund and the exchange-traded leveraged index-tracking fund include in the prospectus additional information in accordance with appendix No. 3.

(4) An actively managed exchange-traded fund indicates clearly to the investors in the prospectus, in the Key investor document, and in the marketing messages the fact that it is

actively managed, and discloses how it will perform the stated investment policy, including its intent to exceed the effectiveness of a given index, if such is included in its investment policy.

Chapter three
STRUCTURES OF MASTER-FEEDER COLLECTIVE INVESTMENT SCHEME TYPE

Section I
Content of the agreement between the feeder and the master collective investment scheme

Art. 83. (1) The agreement under art. 71, par. 1, sentence two of CISOUCIA must include the elements indicated in par. 2-8.

(2) Regarding access to information, the agreement includes the following:

1. indication of the methods and deadlines for the master collective investment scheme to present to the feeder collective investment scheme a copy of the fund's rules or of the instruments of incorporation, the prospectus and the key investor information, and also all their amendments;

2. where applicable, indication of the methods and deadlines for the master collective investment scheme to inform the feeder collective investment scheme on delegation to third parties of the functions of investment management and risk management in accordance with the national legislation of the Member State, which is the Member State of origin of the master collective investment scheme;

3. where applicable, indication of the methods and deadlines for the master collective investment scheme to provide to the feeder collective investment scheme the documents for its internal procedures, e.g. the documents for its risk management procedure and compliance reports;

4. indication of the methods and deadlines for the master collective investment scheme to provide to the feeder collective investment scheme detailed information on violations committed by the master collective investment scheme of the corresponding national law, rules, or instruments of incorporation, and the agreement between the master and feeder collective investment scheme;

5. indication of the methods and deadlines for the master collective investment scheme to provide to the feeder collective investment scheme information on its present exposures in derivative financial instruments, in cases where the feeder collective investment scheme uses derivative financial instruments for the purposes of hedging, in order for the same to calculate its own total exposure in accordance with art. 67, par. 3, first sentence of CISOUCIA;

6. indication of the master collective investment scheme's obligation to inform the feeder collective investment scheme about any other clauses/ agreements for exchange of information concluded with third parties, and, where applicable, indication of the methods and deadlines for the master collective investment scheme to provide these clauses/ agreements for exchange of information to the feeder collective investment scheme.

(3) With regard to the conditions for investment in units of the master collective investment scheme and redemption by the feeder collective investment scheme, the agreement under par. 1 should include:

1. a list of the share classes of the master collective investment scheme, in which the feeder collective investment scheme may invest;

2. indication of the fees and costs outside the cases under art. 83, par. 1 of CISOUCIA, which the feeder collective investment scheme must pay, and detailed information on discounts or transfer of fees or costs from the master collective investment scheme;

3. where applicable, a description of the conditions, under which initial or subsequent transfer of assets may be performed from the feeder to the master collective investment scheme.

(4) With regard to standard clauses for business relationships, the agreement under par. 1 must include:

1. coordination of the frequency and terms for calculation of the net asset value and publishing of unit prices;

2. coordination of transfer of orders for purchase/ sale by the feeder collective investment scheme, including, where applicable, the role of intermediaries or any other third party;

3. where applicable, indication of any clauses taking into account the fact that the shares or units of one of the two or both collective investment schemes are admitted to or traded on a secondary market;

4. where applicable, indication of other suitable measures to ensure compliance with the requirements or art. 72, par. 1 of CISOUCIA;

5. where units of the feeder and master collective investment scheme are denominated in different monetary units, the principles for re-calculation (conversion) of orders for purchase/sale are indicated;

6. indication of the settlement cycle and detailed information on payment with regard to purchase, subscribing, or redemption of units of the master collective investment scheme, including, where this is agreed between the parties, the conditions, under which the master collective investment scheme may satisfy demands for redemption or repurchase by transferring assets of the feeder collective investment scheme, more specifically in the cases under art. 73 and 74 of CISOUCIA;

7. description of the procedures ensuring the suitable processing and response to the requests and complaints from unit-holders;

8. where the fund's rules or the instruments of incorporation and the prospectus of the master collective investment scheme grant it certain rights with regard to unit-holders, and when it decides to limit or exercise all or a part of these rights toward the feeder collective investment scheme - the conditions for doing so.

(5) With regard to events affecting standard clauses for business relationships, the agreement under par. 1 must include:

1. indication of the method and deadlines, according to which each of the two collective investment scheme will mutually notify each other about suspension and resuming of redemption, the purchase or subscribing of units of the corresponding collective investment scheme;

2. clauses regarding notification about errors when establishing the prices in the master collective investment scheme and regarding the resolving of these errors.

(6) With regard to standard clauses for the audit report, the agreement under par. 1 must include:

1. indication of clauses for coordinated preparation of annual financial reports, where the financial year for the feeder corresponds to that of the master collective investment scheme;

2. where the financial year for the feeder collective investment scheme ends at a different time compared to the financial year for the master collective investment scheme, clauses shall be

indicated, under which the feeder collective investment scheme must receive any necessary information from the master collective investment scheme, in order to prepare its annual financial report on time, and guaranteeing that the master collective investment scheme's auditor can prepare a report as of the date of closing of accounts of the feeder collective investment scheme under art. 77, par. 3 and 4 of CISOUCIA.

(7) With regard to changes to the permanent clauses, the agreement under par. 1 must contain indication of the method and deadlines for notification:

1. by the master collective investment scheme – where amendments to the fund rules or instruments of incorporation, prospectus, and key investor information are suggested and have come into effect, if these conditions differ from the standard clauses for notification to unit-holders as stipulated in the fund rules, instruments of incorporation, or the prospectus of the master collective investment scheme;

2. by the master collective investment scheme – about planned or suggested liquidation, merger, or splitting;

3. by either of the two collective investment schemes – in the cases where they do not meet or will cease to meet the requirements for a feeder collective investment scheme or respectively master collective investment scheme;

4. (amended – SG, issue 63 of 2016) by either of the two collective investment schemes – in the cases where they intend to replace their management company, the depositary, the auditor, or, where applicable, any third party, to which functions for the management of investments or risk are delegated;

5. by the master collective investment scheme – about other amendments to permanent clauses.

(8) With regard to applicable law, the agreement under par. 1 must include:

1. indication that where the feeder and master collective investment scheme are established on the territory of the Republic of Bulgaria, Bulgarian law applies to the agreement, and the Bulgarian Court of law has exclusive competence;

2. indication that where the feeder and master collective investment scheme are established in different Member States, the agreement between the two schemes indicates whether the applicable law will be the law of the Member State where the feeder collective investment scheme is established, or the law of the Member State where the master collective investment scheme is established; the agreement stipulates that both parties will accept the exclusive competency of the courts of the Member State, the law of which they have accepted as applicable law with regard to the agreement.

(9) The agreement under par. 1 may also contain other elements, if the master and feeder collective investment schemes have agreed on this.

Section II
Content of the internal rules for the activity

Art. 84. (1) The internal rules for the management company's activity under art. 71, par. 3 of CISOUCIA contain the elements indicated in par. 2-6 of the present article.

(2) Rules under par. 1 contain suitable measures to resolve conflicts of interest, which might arise between the feeder and master collective investment scheme or between the feeder collective investment scheme and other unit-holders of the master collective investment scheme, in the event that these conflicts of interest are not resolved to a sufficient degree using the

measures applied by the management company in order to comply with the requirements of art. 104, par. 1, p. 5, art. 105, par. 1, p. 4 of CISOUCIA and art. 126-130.

(3) With regard to the conditions for investment in units of the master collective investment scheme and redemption by the feeder collective investment scheme, the rules under par. 1 include:

1. a list of the share classes of the master collective investment scheme, in which the feeder collective investment scheme may invest;

2. indication of the fees and costs outside the cases under art. 83, par. 1 of CISOUCIA, which the feeder collective investment scheme must pay, and detailed information on discounts or transfer of fees or costs from the master collective investment scheme;

3. where applicable, a description of the conditions, under which initial and subsequent transfer of assets may be performed from the feeder to the master collective investment scheme.

(4) With regard to standard clauses for business relationships, the rules under par. 1 must include:

1. coordination of the frequency and deadlines for calculation of the net asset value and publishing of prices of units of the collective investment scheme;

2. coordination of transfer of orders for purchase/ sale by the feeder collective investment scheme, including, where applicable, the role of intermediaries or any other third party;

3. where applicable, indication of clauses taking into account the fact that the units of one of the two or both collective investment schemes are admitted to or traded on a secondary market;

4. where applicable, a description of the suitable measures to ensure compliance with the requirements of art. 72, par. 1 of CISOUCIA;

5. where units of the feeder and master collective investment scheme are denominated in different monetary units, the principles for re-calculation (conversion) of orders for purchase/sale are indicated;

6. indication of the settlement cycle and detailed information on payment with regard to purchase, subscribing, or redemption of units of the master collective investment scheme, including, where this is agreed between the parties, the conditions, under which the master collective investment scheme may satisfy demands for redemption or repurchase by transferring assets of the feeder collective investment scheme, more specifically in the cases under art. 73 and 74 of CISOUCIA;

7. where the fund's rules or the instruments of incorporation and the prospectus of the master collective investment scheme grant it certain rights with regard to unit-holders, and when it decides to limit or forfeit exercising all or a part of these rights with regard to the feeder collective investment scheme - the conditions for doing so;

8. description of the procedures ensuring the suitable processing and response to the requests and complaints from unit-holders.

(5) With regard to events affecting clauses for business relationships, the rules under par. 1 include:

1. indication of the method and deadlines, according to which each of the two collective investment schemes shall mutually notify each other about suspension and resuming of redemption, the purchase or subscribing of units of the corresponding collective investment scheme;

2. clauses regarding notification about errors when establishing the prices in the master collective investment scheme and regarding the resolving of these errors.

(6) With regard to standard clauses for the audit report, the rules under par. 1 must include:

1. clauses for coordinated preparation of annual financial reports, where the financial year for the feeder corresponds to that of the master collective investment scheme.

2. where the financial year for the feeder collective investment scheme ends at a different time compared to the financial year for the master collective investment scheme, clauses are indicated, under which the feeder collective investment scheme must receive any necessary information from the master collective investment scheme, in order to prepare its annual financial report on time, and guaranteeing that the master collective investment scheme's auditor can prepare a report as of the date of closing of accounts of the feeder collective investment scheme under art. 77, par. 3 and 4 of CISOUCIA.

Section III
Procedures during liquidation, merger, or splitting of a master collective investment scheme

Art. 85. (1) The feeder collective investment scheme must, within a two-month period from the date, on which the master collective investment scheme has informed it about its decision to start a liquidation procedure, present the following documents to the commission:

1. where the feeder collective investment scheme intends to invest at least 85% of its assets in units of another master collective investment scheme under art. 73, par. 1, sentence one of CISOUCIA, it presents:

a) request for approval of the above investment;

b) request for approval of the suggested amendments to the fund rules or statute;

c) amendments to its prospectus and key investor information under art. 58 and 66 of CISOUCIA;

d) other documents required under art. 69, par. 3, 5, and 6 of CISOUCIA;

2. where the feeder collective investment scheme intends to transform into a collective investment scheme, which is not a feeder collective investment scheme, under art. 73, par. 1, sentence two of CISOUCIA:

a) request for approval of the suggested amendments to the fund rules or statute;

b) amendments to its prospectus and key investor information under art. 58 and 66 of CISOUCIA;

3. notification by the feeder collective investment scheme, where it intends to start a liquidation procedure.

(2) Outside the cases under par. 1, where the master collective investment scheme has informed the feeder collective investment scheme about its decision to start a liquidation procedure within more than five months before the date, on which the liquidation procedure will begin, the feeder collective investment scheme submits before the commission a request or notification in accordance with par. 1, p. 1 and 2, no later than three months before the corresponding date.

(3) The feeder collective investment scheme shall inform in due time its unit-holders about its intension to start a liquidation procedure.

Art. 86. (1) The commission notifies the feeder collective investment scheme within 15 working days from submission of all documents indicated in art. 85, par. 1, p. 1 and 2, whether the requested approvals are received.

(2) When it receives information that the commission has issued an approval under the

previous paragraph, the feeder collective investment scheme informs the master collective investment scheme about this.

(3) After the feeder collective investment scheme is notified by the commission that it has received the necessary approvals under art. 85, par. 1, p. 1, the feeder collective investment scheme undertakes in due time the necessary measures to comply with the requirements of art. 79 and 80 of CISOUCIA.

(4) Where income from the liquidation of the master collective investment scheme must be paid before the date, on which the feeder collective investment scheme will begin to invest either in another master collective investment scheme under art. 85, par. 1, p. 1, or according to its new investment targets and strategy under art. 85, par. 1, p. 2, the commission issues an approval to the feeder collective investment scheme under the following conditions:

1. the feeder collective investment scheme will receive income from liquidation:

a) in the form of a monetary payment; or

b) a part or all of the income is received by transferring assets, is the following conditions are met, where applicable:

aa) the feeder collective investment scheme wants this;

bb) this is stipulated in the agreement between the feeder and master collective investment scheme or in the internal rules for activity;

cc) this is indicated in the decision for liquidation;

2. any monetary funds held or received under the present paragraph may be reinvested only for the purposes of effective management of monetary funds before the date, on which the feeder collective investment scheme will begin to invest in another master collective investment scheme, or according to its new investment targets and strategy.

(5) In the cases under par. 4, p. 1, item "b", the feeder collective investment scheme may at any time sell any part of these assets against monetary funds.

Art. 87. (1) The feeder collective investment scheme presents the following information to the commission within a one-month period from receiving information about the planned merger or splitting of the master collective investment scheme:

1. where the feeder collective investment scheme intends to continue being a feeder collective investment scheme of the same master collective investment scheme:

a) request for approval of this intention;

b) request for approval of the suggested amendments to the fund rules or statute, where this is applicable;

c) amendments to the prospectus and key investor information under art. 58, respectively 66 of CISOUCIA;

2. where, as a result of the suggested merger or splitting of the master collective investment scheme, the feeder collective investment scheme intends to become a feeder collective investment scheme of another existing or founded master collective investment scheme, or where the feeder collective investment scheme intends to invest at least 85% of its assets in units of another collective investment scheme, which is not a receiving or a newly founded one:

a) request for approval of the above investment;

b) request for approval of the suggested amendments to the fund rules or statute;

c) amendments to the prospectus and key investor information under art. 58, respectively 66 of CISOUCIA;

d) other documents required under art. 69, par. 3, 5, and 6 of CISOUCIA;

3. where the feeder collective investment scheme intends to transform into a collective

investment scheme, which is not a feeder collective investment scheme, under art. 73, par. 1, sentence two of CISOUCIA:

a) request for approval of the suggested amendments to the fund rules or statute;

b) amendments to the prospectus and key investor information under art. 58, respectively 66 of CISOUCIA;

4. notification by the feeder collective investment scheme, in the cases where it intends to start a liquidation procedure.

(2) For the purposes of par. 1, p. 1 and 2, the phrase "continue being a feeder collective investment scheme of the same master collective investment scheme" applies to the cases where:

1. the master collective investment scheme is the receiving collective investment scheme in the suggested merger;

2. the master collective investment scheme will continue existing without significant changes as one of the collective investment schemes, which will be created as a result of the suggested split.

(3) For the purposes of par. 1, p. 1 and 2, the phrase "become a feeder collective investment scheme of another master collective investment scheme created as a result of the merger or splitting of the master collective investment scheme" applies to the cases where:

1. the master collective investment scheme is the merging collective investment scheme, and the feeder collective investment scheme becomes a holder of units of the receiving collective investment scheme as a result of the merger;

2. the feeder collective investment scheme becomes a holder of units of the collective investment scheme created as a result of splitting, and which is significantly different from the master collective investment scheme.

(4) Where the master collective investment scheme has provided to the feeder collective investment scheme information under art. 151 of CISOUCIA or similar information within a period of more than four months before the suggested date, on which the merger or splitting will come into effect, the feeder collective investment scheme submits before the commission a request or notice under par. 1, p 1-4 no later than three months before the suggested date, on which the merger or splitting of the master collective investment will come into effect.

(5) The feeder collective investment scheme informs in due time its unit-holders and the master collective investment scheme about its intension to start a liquidation procedure.

Art. 88. (1) The commission notifies the feeder collective investment scheme within 15 working days from submission of all documents indicated in art. 87, par. 1, p. 1-3, whether the requested approvals are received.

(2) When it receives information that the commission has issued an approval under the previous paragraph, the feeder collective investment scheme informs the master collective investment scheme about this.

(3) After the feeder collective investment scheme is notified by the commission that it has received the necessary approvals under art. 87, par. 1, p. 2, the feeder collective investment scheme undertakes in due time the necessary measures to comply with the requirements of art. 79 and 80 of CISOUCIA.

(4) In the cases under art. 87, par. 1, p. 2 and 3, the feeder collective investment scheme must exercise its right to request redemption of its units of the master collective investment scheme under art. 74, par. 3, and art. 153, par. 1 and 2 of CISOUCIA, where the commission has not issued to the feeder collective investment scheme the necessary approvals required under art. 87, par. 1, before the business day preceding the business day, on which the feeder collective

investment scheme may demand redemption of its units of the master collective investment scheme, before the merger or splitting comes into effect.

(5) The feeder collective investment scheme must exercise the right under the previous paragraph, in order to guarantee that the right of its unit-holders to demand redemption of their units of the feeder collective investment scheme under art. 79, par. 1, p. 4 of CISOUCIA, is not violated.

(6) Before exercising its right under par. 4, the feeder collective investment scheme should investigate the possible alternative solutions, which may aid avoiding or reducing the costs and fees, or other negative consequences for its unit-holders.

(7) Where the feeder collective investment scheme demands redemption of its units of the master collective investment scheme, it receives income in one of the following manners:

1. in the form of a monetary payment;

2. a part of or all income from redemption in the form of transfer of assets under the following conditions, where applicable:

a) the feeder collective investment scheme has requested this, and

b) this is stipulated in the agreement between the feeder and master collective investment scheme.

(8) In the cases under par. 7, p. 2, the feeder collective investment scheme may at any time sell any part of these transferred assets against monetary funds.

(9) The commission gives approval to the feeder collective scheme, with the condition that any monetary funds held or received under par. 7 may be reinvested only for the purposes of effective management of monetary funds before the date, on which the feeder collective investment scheme will begin to invest in the new master collective investment scheme, or according to its new investment targets and strategy.

Section IV
Content of the agreement for exchange of information between depositaries and auditors of a master and feeder collective investment scheme

Art. 89. (Amended – SG, issue 63 of 2016) The agreement under art. 75 of CISOUCIA for exchange of information between the depositary of the master collective investment scheme and the depositary of the feeder collective investment scheme shall include:

1. (amended – SG, issue 63 of 2016) indication of the documents and information categories which shall be exchanged regularly between the two depositaries, and an indication whether these documents and information shall be provided by one depositary to another, or be provided by request;

2. (amended – SG, issue 63 of 2016) indication of the manner and period, including any deadlines for forwarding of information from the master collective investment scheme's depositary to the feeder collective scheme's depositary;

3. (amended – SG, issue 63 of 2016) coordination of the functions of depositaries on operating matters, taking into account their respective obligations under national law, as follows:

a) description of the procedure for calculation of net asset value of each of the two collective investment schemes, including any measures to avoid application of strategies with selection of the market moment with regard to units (market timing) under art. 72, par. 1 of

CISOUCIA;

b) description of the methods and periods for processing of directions by the feeder collective investment scheme for the purchase, subscribing, or submission of request for redemption of units of the master collective investment scheme, and also performing these operations, including any clauses for transfer of assets, where this is applicable;

4. coordination of preparation of annual financial reports;

5. (amended – SG, issue 63 of 2016 indication of the methods and periods, within which the master collective investment scheme's depositary shall provide to the feeder collective investment scheme's depositary detailed information on violations of the corresponding national law, fund rules or instruments of incorporation, committed by the master collective investment scheme;

6. (amended – SG, issue 63 of 2016) description of the procedure for response to requests for cooperation for a specific matter by one depositary to the other;

7. (amended – SG, issue 63 of 2016) indication of the cases of unforeseen events, for which the depositaries need to inform each other, and also the method and periods for this notification.

Art. 90. (1) (Amended – SG, issue 63 of 2016) Where the feeder and master collective investment scheme have concluded an agreement under art. 71, par. 1, sentence two of CISOUCIA, the agreement between their depositaries should state that the law of the Member State applied to the indicated agreement under art. 83, par. 8, applies also to the agreement for exchange of information between the depositaries, and also that the depositaries accept the exclusive competence of the courts of law of the corresponding Member State, the law of which the two collective investment schemes have accepted as applicable with regard to the agreement.

(2) (Amended – SG, issue 63 of 2016) Where the agreement between the feeder and master collective investment scheme is replaced by internal rules for the activity under art. 71, par. 3 of CISOUCIA, the agreement between their depositaries indicates whether the law applicable with regard to exchange of information between the two depositaries will be the right of the Member State, where the feeder collective investment scheme is established, or the law of the Member State, where the master collective investment scheme is established, and also that both depositaries accept the exclusive competence of the courts of the Member State, the law of which is applicable to the agreement for exchange of information.

Art. 91. (Amended – SG, issue 63 of 2016) Irregularities indicated in art. 76 of CISOUCIA, which the depositary of the master collective investment scheme may discover in performance of its functions and which may have a negative effect on the feeder collective investment scheme, include at least:

1. errors in the calculation of the net asset value of the master collective investment scheme;

2. errors in operations for the purchase, subscribing, or redemption of units of the master collective investment scheme, or errors in the settlement of payments for them;

3. errors in payment or capitalization of income from the master collective investment scheme or errors in calculations of any fees withheld with regard to this income;

4. non-compliance with investment aims, policy, or strategy of the master collective investment scheme described in the fund rules or the instruments of incorporation, the prospectus or key investor information;

5. non-compliance with the limitations for investment or receiving of loans under CISOUCIA, the fund rules, the instruments of incorporation, the prospectus or the key investor information.

Art. 92. (1) The agreement for exchange of information between the independent auditor of the master collective investment scheme and the independent auditor of the feeder collective

investment scheme under art. 77, par. 1 of CISOUCIA contains the following:

1. indication of the documents and categories of information, which shall be exchanged regularly between the two auditors;

2. instruction whether information or documents under p.1 shall be provided by one auditor to the other, or provided by request;

3. indication of the manner and deadlines for forwarding of information from the master collective investment scheme's independent auditor to the feeder collective investment scheme's independent auditor;

4. coordination of each independent auditor's participation in the preparation of the corresponding collective investment scheme's annual financial reports;

5. description of the problems, which will be considered irregularities, indicated in the audit report of the master collective investment scheme's auditor for the purposes of art. 77, par. 3 and 4 of CISOUCIA;

6. indication of the way and deadlines for response to the requests for cooperation for a specific matter from one auditor to the other, including with regard to the request for additional information on irregularities indicated in the audit report by the master collective investment scheme's auditor.

(2) The agreement under par. 1 includes provisions on the preparation of audit reports under art. 60, par. 4 and 5, and art. 77, par. 3 and 4 of CISOUCIA, and also on the manner and deadlines for providing the audit report for the master collective investment scheme and the drafts of this report by the feeder collective investment scheme's auditor.

(3) Where the financial year for the feeder collective investment scheme ends at a time different from that of the financial year for the master collective investment scheme, the agreement under par. 1 indicates the manner and deadlines for the preparation of a report by the master collective investment scheme's auditor as of the date of closing of accounts of the feeder collective investment scheme under art. 77, par. 3 of CISOUCIA and for the presenting of the report and its drafts to the feeder collective investment scheme's auditor.

Art. 93. (1) Where the feeder and master collective investment scheme have concluded an agreement under art. 71, par. 1, sentence two of CISOUCIA, the agreement between their independent auditors should state that the law of the Member State, which shall apply to the indicated agreement under art. 83, par. 8, shall apply also to the agreement for exchange of information between the auditors, and also that the two independent auditors accept the exclusive competence of the courts of law of the corresponding Member State, the law of which the two collective investment schemes have accepted as applicable with regard to the agreement.

(2) Where the agreement between the feeder and master collective investment scheme is replaced by internal rules for the activity under art. 71, par. 3 of CISOUCIA, the agreement between their independent auditors indicates whether the law applicable with regard to exchange of information between the two independent auditors shall be the right of the Member State, where the feeder collective investment scheme is established, or the law of the Member State, where the master collective investment scheme is established, and also that both independent auditors accept the exclusive competence of the courts of the Member State, the law of which is applicable to the agreement for exchange of information.

Section V
Manner of providing of information to unit-holders

Art. 94. The feeder collective investment scheme provides the information under art. 79 of CISOUCIA to unit-holders in the manner stipulated in art. 106.

Chapter four
RESTRUCTURING AND WINDING-UP OF COLLECTIVE INVESTMENT SCHEMES

Section I
Restructuring with participation only of collective investment schemes originating from the Republic of Bulgaria

Art. 95. (1) For issuing of a permit under ar. 141, par. 1 of CISOUCIA, the following shall be attached to the request under art. 144, par. 1.

1. plan for the suggested restructuring, approved by the collective investment schemes being restructured, and in the cases of restructuring by acquisition, also by the receiving collective investment scheme with the content under art. 145, par. 2 and 3 of CISOUCIA.

2. prospectus and document with key investor information of the newly founded collective investment scheme in the event of restructuring by merger;

3. (amended – SG, issue 63 of 2016) declaration by the depositaries of the restructuring and receiving collective investment schemes that the information under art. 145, par. 2, p. 1, 6, and 7 of CISOUCIA in the content of the plan for restructuring is in compliance with the requirements of the law, the rules or respectively the statute of the collective investment scheme.

(2) Approval of the restructuring plan under par. 1, p. 1 is done in the manner of art. 143 of CISOUCIA with a decision by the general assembly of the investment company, respectively with a decision of the management body of the management company of the mutual fund, which is certified by presenting the corresponding document – minutes of the general assembly or a decision of the managing body of the management company.

Art. 96. When reviewing the documents under art. 95, the commission takes into account the potential effect of restructuring on unit-holders of the restructuring collective investment schemes, to determine whether suitable information is being provided to them, and may request in the manner of art. 144, par. 3 and 4 of CISOUCIA for information to be provided more clearly to unit-holders of restructuring collective investment schemes.

Art. 97. The commission issues a decision to perform restructuring if:

1. the submitted request and documents attached to it are in compliance with the requirements of art. 95;

2. the receiving or newly founded collective investment scheme has submitted notification for offering of its units in all member states where the restructuring companies have submitted notification or have already received permission to offer their units in the manner of art. 136 of CISOUCIA.

3. the commission believes that unit-holders are provided with suitable information on the restructuring;

4. a report prepared by an independent auditor under art. 150 of CISOUCIA is presented;

5. a document certifying the payment of the corresponding fee by the restructuring collective investment scheme is presented.

Art. 98. (2) In the event of restructuring by merger, together with the permission for restructuring under art. 141, par. 1 of CISOUCIA, the commission shall issue a license to pursue activity to the newly founded investment company, respectively issue a permit for the organisation and management of a mutual fund to the management company, which according to the restructuring plan will manage the newly founded mutual fund.

(2) In the cases under par. 1, documents under art. 12 of CISOUCIA for the newly founded collective investment scheme shall be attached to the request for issuing of permission under art. 141, par. 1 of CISOUCIA.

(3) Simultaneously with the issuing of the license for the newly founded investment company and the permit for the management company to organize and manage the newly founded mutual fund, the commission confirms the prospectus and key investor information document of the newly founded collective investment scheme.

(4) The decision to issue a license to the newly founded collective investment scheme is effective as of the effective date of restructuring.

Section II
Restructuring with the participation of collective investment schemes originating from other Member States, where the newly founded collective investment scheme originates from the Republic of Bulgaria

Art. 99. In the event of restructuring under art. 148 of CISOUCIA, the commission issues a license to the newly founded investment company, respectively the management company, for the organisation and management of the newly founded mutual fund in the manner of art. 12 of CISOUCIA, whereas besides the documents under art. 12 of CISOUCIA, the permits for restructuring issued by the competent authorities to the restructuring collective investment schemes originating from other Member States are also attached to the request to the commission.

Section III
Restructuring an investment company into a mutual fund

Art. 100. (1) For the issuing of a permit for restructuring of an investment company into a mutual fund, a request is submitted according to a standard form, approved by the commission, and the following are attached:

1. minutes of the general assembly of shareholders of the investment company, at which the decision for its restructuring is made;

2. prospectus and document with key investor information of the newly founded mutual fund;

3. (amended – SG, issue 63 of 2016) the contracts or additional agreements with the management company and the depositary, reflecting the change in the legal and organisation form of the collective investment scheme;

4. circumstances and justification of the offered restructuring;

5. the mutual fund's rules;

6. expected effect of the suggested restructuring on the shareholders' rights;

7. the rules under which shares of the investment company are replaced with units of the newly founded mutual fund.

(2) The commission takes a decision with regard to the request within 20 business days of its receiving, and where additional information and documents have been requested – within 10 business days of their receiving.

(3) Based on the presented documents, the commission determines the extent of compliance with the requirements for issuing of the requested permit. If the presented information and documents are incomplete or have irregularities, or additional information or proof of the correctness of data is needed, the commission shall send a message on the discovered gaps and inconsistencies, or the required additional information and documents.

(4) If the message under par. 3 is not accepted at the correspondence address indicated by the requesting party, the term for their presenting starts from the moment the message is placed in a location indicated specifically for this purpose in the commission's building. This circumstance is certified with a protocol drawn up by officials appointed with an order by the commission's Chairperson.

(5) The commission shall refuse to issue a permit, if the documents presented under par. 1 are not in compliance with the requirements of CISOUCIA and the present Ordinance, or the investors' interests are not protected. The requesting party is notified about the decision in writing within a 3-day period.

(6) (Supplemented – SG, issue 63 of 2016) The commission sends the permit for restructuring of the investment company into a mutual fund to the Registry agency, which removes the investment company from the commercial register.

Section IV
Providing information to unit-holders about the effect of restructuring on their investments

Art. 101. (1) The information provided by collective investment schemes participating in restructuring to unit-holders under art. 151, par. 1 of CISOUCIA must be presented briefly and without the use of specialised terminology, so that unit-holders may make an informed evaluation of the effect of restructuring on their investment.

(2) Where the information document begins with a summary of key characteristics of the offered restructuring, the summary must include a reference to the corresponding parts of the information document, where additional information is provided.

(3) In the event of restructuring with the participation also of collective investment schemes originating from another Member State, the information provided by the restructuring and the collective investment scheme included in restructuring originating from the Republic of Bulgaria to their unit-holders under art. 151, par. 1 of CISOUCIA should also include all conditions and procedures associated with collective investment schemes originating from another Member State, which differ from those usually applied in the Republic of Bulgaria.

(4) Information, which must be provided by the restructuring collective investment scheme to its unit-holders under art. 151, par. 1 of CISOUCIA, must correspond to the needs of investors who are not informed in advance about the characteristics of the receiving, respectively newly

founded collective investment scheme, and the manner, in which it performs its activity, and must draw attention to key investor information of the receiving, respectively newly founded collective investment scheme, and clarify that reading the key investor information is advised.

(5) The information which the receiving collective investment scheme must provide to its unit-holders under art. 151, par. 1 of CISOUCIA, must stress the implementation of restructuring and its potential effect on the receiving collective investment scheme.

Art. 102. (1) The information which the restructuring collective investment scheme must provide to its unit-holders under art. 151, par. 1, p. 2 of CISOUCIA, must also include:

1. detailed information about the differences in the unit-holders' rights in the restructuring collective investment scheme before and after restructuring is effective;

2. if the key investor information document of the restructuring and receiving, respectively newly founded collective investment scheme expresses synthetic indicators for risk and reward with different categories or showing different risks – indication of the differences between these categories and risks;

3. comparison between all fees, commissions, and other expenses for the restructuring and receiving, respectively newly founded, collective investment scheme based on the data indicated in their key investor documents.

4. if the restructuring collective investment scheme charges a fee based on results – explanation of the manner, in which this fee shall be applied until restructuring is effective;

5. if the receiving collective investment scheme charges a fee based on results – explanation of the manner, in which this fee will be charged subsequently, in order to ensure fair treatment of unit-holders, who have held units of the restructuring collective investment scheme before restructuring became effective;

6. in the cases where collective investment schemes from Member States are participating in restructuring, and according to the Member State's law the expenses associated with preparation and implementation of restructuring are borne by unit-holders of these collective investment schemes – detailed information about the manner, in which these expenses will be distributed;

7. information whether restructuring of the portfolio of the restructuring collective investment scheme is intended before restructuring is effective.

(2) Information, which the receiving collective investment scheme must provide to its unit-holders under art. 151, par. 1, p. 2 of CISOUCIA, must include information whether restructuring is expected to have a significant effect on the receiving collective investment scheme's portfolio and whether its restructuring is intended before or after the scheme's restructuring is effective.

Art. 103. (1) The information which the collective investment scheme involved in restructuring must provide to its unit-holders under art. 151, par. 1, p. 3 of CISOUCIA, also includes:

1. a detailed description of the manner in which all accrued income in the collective investment scheme will be treated;

2. description of the manner, in which the independent auditor's report can be received;

3. in the event of restructuring of an investment company: information on the manner, in which shareholders approve the restructuring decision, including reference to art. 143 of CISOUCIA;

4. detailed data on planned suspension of sale and redemption of units with the aim of effective implementation of restructuring;

5. the date, on which restructuring will come into effect.

(2) Besides the information under par. 1, p. 1 and 2, in the cases where conditions of restructuring envisage payment of cash funds in the cases under art. 142, par. 1 and 2 of CISOUCIA, the restructuring collective investment scheme provides to its unit-holders information about the offered payment, including when and how unit-holders shall receive the payment.

(3) Information under par. 1, p. 3 may also include recommendation by the board of directors of the investment company to make a decision on restructuring.

Art. 104. The information which the restructuring collective investment scheme must provide to its unit-holders under art. 151, par. 1 of CISOUCIA, must also include:

1. the term within which unit-holders may purchase units or demand redemption of their units by the restructuring collective investment scheme;

2. the moment from which unit-holders, who have not exercised their right under art. 152 of CISOUCIA, may exercise their rights of unit-holders of the receiving, respectively newly founded collective investment scheme;

3. where the restructuring collective investment scheme is an investment company, explanation that shareholders who have not voted or have voted against the offer for restructuring and have not exercised their right under art. 152 of CISOUCIA, become unit-holders of the receiving or newly founded collective investment scheme.

Art. 105. (1) Under art. 151, par. 1, p. 5 of CISOUCIA, unit-holders of the restructuring collective investment scheme are provided with a copy of the updated key investor information document of the receiving, respectively newly founded, collective investment scheme, and the unit-holders of the receiving collective investment scheme are provided with a copy of the updated key investor document of the receiving scheme, if the information has been modified for the purposes of the suggested restructuring.

(2) In the period between the date, on which unit-holders of the collective investment scheme involved in restructuring are provided with the information under art. 151, par. 1 of CISOUCIA, and the date, on which restructuring becomes effective, information under art. 151, par. 1 of CISOUCIA, including a copy of the updated key investor information document of the receiving scheme shall be provided to any person purchasing units or requesting a copy of the rules or statute, prospectus, or the key investor information document of the restructuring or receiving collective investment scheme.

Art. 106. (Effective 31.12.2013 - SG, issue 85 of 2011) (1) The collective investment scheme involved in restructuring with origin Member State the Republic of Bulgaria provides the information under art. 151 of CISOUCIA to unit-holders on paper or another durable medium.

(2) (Supplemented – SG, issue 63 of 2016) Information is presented on another durable medium in the following circumstances:

1. providing of information in this manner is justified with regard to the conditions, in which business relationships are conducted or will be conducted between the unit-holder and the collective investment scheme;

2. an offer has been made to the unit-holder to choose between providing information on paper or another durable medium and he/she has specifically chosen for information to be provided on the other offered durable medium.

(3) Providing of information by electronic messages is considered justified with regard to the conditions, in which the business relationship between the unit-holder and the collective investment scheme is being conducted or will be conducted in accordance with par. 2, p. 1, where proof is available indicating that the client has regular access to Internet. Providing an electronic

mail address by the unit-holder for the purpose of his/her business relationship with the collective investment scheme is considered proof that the client has regular access to Internet.

Section V
Winding up of a collective investment scheme

Art. 107. (1) Within a 14-day period from a reason to wind up an investment company arising under art. 252, par. 1, p. 1, 2, and 7 of the Commercial act (CA), it must submit to the commission a request for issuing of a permit for its winding up according to a standard form approved by the Deputy Chairperson, attaching the following:

1. a document establishing the grounds for winding up;

2. (amended – SG, issue 63 of 2016) financial report in accordance with the requirements of art. 29, par. 9 of AA as of the date the reason for termination has arisen;

3. liquidation plan, which must include measures for the protection of the company's shareholders, including a prohibition of conclusion of transactions with its assets, with the exception of cases under art. 268, par. 1 of the CA;

4. name (first name, given name, surname), Personal N and registration address, profession or occupation, professional experience and qualification of the offered liquidator (liquidators), as well as the following documents:

a) criminal record certificate;

b) declaration that the person has not been declared insolvent and is not undergoing an insolvency procedure;

c) declaration that the person has not been a member of a management or control body or a partner with unlimited responsibility in a company, for which an insolvency procedure is initiated, or a company wound up due to insolvency, if unsatisfied creditors have remained;

5. document certifying the payment of the corresponding fee in accordance with the Tariff for fees collected by the Financial supervision committee under the Financial supervision committee act.

(2) Within 14 days of grounds arising for winding up of the mutual fund under art 363, items "a" and "b" of the Obligations and contracts act and/or as stipulated in the mutual fund's rules, the management company must submit to the commission a request for issuing of a permission to wind up the mutual fund according to a standard form approved by the Deputy Chairperson, attaching the following:

1. the decision of the board of directors of the management company to wind up the mutual fund taken based on the mutual fund's rules;

2. liquidation plan, which must include measures for the protection of unit-holders, including a prohibition of conclusion of transactions with assets of the fund, unless this is necessary for liquidation;

3. documents and information under par. 1, p. 2, 4, and 5.

(3) Members of the management body of the investment company, of the management company which managed the collective investment scheme, or other persons who have worked under a contract for the investment company and the management company cannot be appointed as liquidators, and also persons, who have been found in systematic violation of CISOUCIA, the Public offering of securities act, the Financial instrument markets act and the Act against market abuse of financial documents or the instructions for their application.

(4) Where the mutual fund is being wound up, art. 267, art. 268, par. 1 and 3, art. 270, art.

271, and 273 of the CA are applied respectively to the liquidator's obligations and the protection of the mutual fund's creditors, whereas the management body's functions under art. 270, par. 2 and art. 272, par. 4 of CA are performed by the management company.

Art. 108. The commission reviews the submitted request and takes a decision within a 14-day period of its receiving, and where additional data and documents are requested - within a 7-day period of their receiving. Article 12, par. 3, and 4 of CISOUCIA apply accordingly.

Chapter five
ADDITIONAL REQUIREMENTS FOR THE ACTIVITY OF COLLECTIVE INVESTMENT SCHEMES

Section I
Relationship of the mutual fund with the management company in the event of withdrawal of the license to pursue activity, where the management company is being wound up or declared insolvent

Art. 109. (1) (Amended – SG, issue 63 of 2016) In the events where the license to pursue activity has been withdrawn, where the management company is being wound up or declared insolvent, it immediately forwards to the depositary the entire available information and documentation associated with management of the mutual fund. The depositary manages the mutual fund as an exception for a period up to 3 months.

(2) (Amended and supplemented – SG, issue 63 of 2016) In the event that the management company's license is withdrawn, it is wound up or declared bankrupt, and also where its contract with the investment company is cancelled due to non-performance of the management company's obligations, it immediately hands over its entire available information and documentation associated with the management of the investment company to the investment company it manages.

(3) (Amended – SG, issue 63 of 2016) Within a 14-day period from the arising of the circumstance under par. 1 and 2, the depositary, respectively the investment company, must offer in writing to at least three management companies to take over management of the collective investment scheme, respectively restructure it through merger or acquisition.

(4) (Amended – SG, issue 63 of 2016) Invitations under par. 3 have identical content and are presented to the Deputy Chairperson within a 3-day term of their sending to the corresponding management companies, indicating the criteria and motives based on which these management companies are selected by the depositary, respectively the investment company. Management companies must at least comply with the following conditions:

1. they must have a permit for organizing and management of a collective investment scheme;

2. the capital adequacy and liquidity of each one of them must correspond to the regulatory requirements and must not be violated by taking on the management of the mutual fund;

3. over the last two years preceding the conclusion of the contract, the management company must not have been imposed a financial sanction, and the members of its management

and control body must not have been imposed administrative penalties for violations of the CISOUCIA and the acts for its application.

(5) (Amended – SG, issue 63 of 2016) Within a one-month period of sending of all invitations under par. 3 at the commission, the management companies wishing to take over management of the collective investment scheme or respectively restructure it, must present to the depositary, respectively the investment company, a plan for the management of the collective investment scheme within a 1-year term of taking over of this management, or a plan for its restructuring.

(6) (Amended – SG, issue 63 of 2016) Within a 7-day period from expiration of the deadline under par. 5, the depositary, respectively the investment company, shall select the management company to take over management of, respectively to restructure the collective investment scheme, and notify the commission, specifying the motives for the choice it has made, and notifies the corresponding management company.

(7) The selected management company presents to the Deputy Chairperson, within a 14-day period of receiving of notification that it is selected, respectively of the decision for its approval by the general assembly of shareholders of the investment company, the plan for management of the collective investment scheme, as well as documents under art. 37a of Ordinance No. 11 of 2003 for the licenses to pursue activity as a regulated market, to organise a multilateral trading system, to act as an investment intermediary, an investment company, a management company, and a company with a special investment purpose (promulgated SG issue 109 of 2003; amended, issue 84 and 104 of 2005, issue 101 of 2006, issue 83 of 2007; corrected, issue 87 of 2007; amended, issue 28 of 2009) (Ordinance No. 11), the corresponding documents for investment company or the plan for restructuring, and the documents under art. 145 of CISOUCIA.

(8) (Amended and supplemented – SG, issue 63 of 2016) When drawing up the documents under par. 7, the management company may not change significantly the rules and the prospectus of the collective investment scheme, including significant changes to its risk profile.

(9) The Deputy Chairperson makes a decision on the presented documents in the manner of art. 18 of CISOUCIA.

(10) (Amended and supplemented – SG, issue 63 of 2016) If a management company to manage, respectively restructure the collective investment scheme is not selected and approved, or the Deputy Chairperson refuses to issue a permit to the new management company to manage the collective investment scheme, respectively to restructure it, a procedure under art. 107 for winding up of the scheme is started regardless of the expiration of the 3-month period under par. 1 and 2.

(11) (new – SG, issue 63 of 2016) Each investor has the right to demand redemption of units during the procedure for replacement of the management company, without owing higher fees and without any other additional expenses with the exception of expenses on redemption. The rules, respectively the statute of the collective investment scheme, may envisage additional rules for the protection of investors' interests in the event of replacement of the management company.

Section II
Maintaining accounting and storage of documentation

Art. 110. (1) The investment company must store the entire documentation and information associated with its activity, including:

1. the statute and other charters, their amendments and supplements, acts for registration and amendments to the investment company's account;

2. minutes of the general assembly of the investment company's shareholders, numbered and filed in chronological order, in a form that makes it impossible to remove or replace pages or individual parts from them;

3. minutes of the meetings of the management and controlling bodies of the investment company in a form that makes removal or replacement of pages or individual parts of them impossible;

4. the prospectus and the key investor information document, as well as all their updates;

5. accounting documents;

6. incoming and outgoing correspondence, filed in a way that makes it impossible to remove or replace pages or individual parts of them;

7. list, updated as of the last day of each month, of the persons related within the meaning of § 1, p. 20 of the supplementary provision of CISOUCIA to:

a) the investment company and the members of its management or controlling body;

b) the management company and the members of its management or controlling body, as well as the grounds for relation;

8. monthly accounting balances;

9. marketing messages and publications associated with the issuing (sale) of shares in the investment company;

10. (new – SG, issue 63 of 2016) shareholders' complaints and data on actions taken regarding these.

(2) (Amended – SG, issue 63 of 2016) The documents shall be stored in the manner for storage of the state archive fund, whereas accounting information and documentation shall be stored for the periods under art. 12 of the AA, and the remaining documents and information – for a period of 5 years.

(3) Documentation under par. 1 may be stored by the management company under the concluded contract.

(4) (Amended – SG, issue 63 of 2016) In the cases where the investment company stores documentation under par. 1, it provides to the management company and the depositary copies of the documents needed for its activity.

(5) The management company hands over to the investment company the documents under par. 1, p. 5 and 8 after expiration of the financial year and preparation and certification of the annual financial report of the investment company.

(6) Members of the investment company's management body must notify the investment company about the presence of a relation within the meaning of § 1, p. 20 of the supplementary provision of CISOUCIA within a 3-day period of the corresponding grounds arising.

Section III

Ensuring access of the collective investment schemes originating from another Member State to current information on the laws, by-laws, and administrative acts, which fall outside the field of application of Directive 2009/65/EC, and providing current information to the

competent authorities of the receiving Member State by collective investment schemes originating from the Republic of Bulgaria

Art. 111. (1) Current information on provisions of laws, by-laws, and administrative acts, which fall outside the field of application of Directive 2009/65/EC, to which the commission ensures access under art. 129 of CISOUCIA, includes:

1. definition of the term "offering of units of the collective investment scheme" according to practice;

2. requirements for the content, form, and the presentation of marketing messages, including all mandatory warnings and limitations regarding the use of some words and expressions;

3. details regarding any additional information other than under chapter two, section X, which must be announced to investors;

4. requirements for reporting or forwarding of information to the commission, and procedure for presenting current versions of required documents;

5. requirements for payment of fees or other monetary sums to the competent authorities or any other body stipulated by law in the corresponding Member State when starting the offering of units or subsequently, periodically;

6. requirements toward redemption, payments to unit-holders' benefit and providing information, for the providing of which the collective investment scheme originating from a different Member State must take the necessary measures under art. 130 of CISOUCIA;

7. conditions for termination of offering of units of a collective investment scheme originating from a different Member State;

8. detailed content of the information, which must be included in part B of the notification letter under art. 1 of Regulation (EU) No. 584/2010 of the Commission of 1 July 2010 for application of Directive 2009/65/EC of the European Parliament and the Council as regards the form and content of the standard notification letter and UCITS attestation, the use of electronic communication between competent authorities for the purpose of notification, and procedures for on-the-spot verifications and investigations and the exchange of information between competent authorities;

9. the electronic mail address of the commission indicated for the purposes of sending notifications for updating or amendment of documents presented to the commission.

(2) Current information under par. 1 is presented as a detailed and full text explanation or text explanation with references to documents used as a source of information.

Art. 112. The management company of a collective investment scheme, toward which a procedure under art. 136 of CISOUCIA is initiated, ensures the availability in a widely used electronic format of all documents attached to the notification letter under art. 136, par. 2 of CISOUCIA, on its Internet page or on another Internet page indicated in the notification letter, to which the receiving Member State has access.

Art. 113. (1) The management company of a collective investment scheme, toward which a procedure under art. 136 of CISOUCIA is initiated, notifies the receiving Member State of all updates and amendments of the documents under art. 136, par. 7 and 8 of CISOUCIA, by sending an electronic letter to an address indicated by the competent authorities of the receiving Member

State.

(2) The electronic letter under par. 1 describes the performed update or amendment of the corresponding document, or the updated or amended document in a broadly used electronic format is attached to the electronic letter.

Art. 114. The commission publishes on its page an electronic address, at which the collective investment schemes originating from another Member State shall notify with an electronic letter about all updates and amendments to the documents under art. 128, par. 3 of CISOUCIA.

Chapter six
REQUIREMENTS FOR THE MANAGEMENT COMPANY'S ACTIVITY

Section I
General requirements regarding the procedures and organisation of the management company

Art. 115. (1) The management company:

1. adopts, applies, and maintains written procedures for taking of decisions, and creates an organisation structure, which clearly defines the reporting systems and distributes functions and responsibilities;

2. guarantees that its employees are familiar with the procedures, which must be followed for the correct implementation of their working obligations;

3. adopts, applies, and maintains adequate mechanisms for internal control, ensuring compliance with decisions and procedures at all levels of the management company;

4. adopts, applies, and manages effective internal procedures for reporting and exchange of information at all levels in the management company, and also an effective exchange of information with third parties, with which the company has a relationship;

5. maintains documentation and keeps an archive of its business activity and internal organisation.

(2) When organizing its activity, the management company takes into account the nature, scale, and complexity of this activity, as well as the nature and scope of the services and activities it performs.

(3) The management company adopts, applies, and maintains:

1. systems and procedures ensuring the security, integrity, and confidentiality of information depending on its character;

2. adequate policy for continuity of business activity, which aims, in the event of omissions in systems and procedures, to protect the main information and functions, and also to support the services and activities, or where this proves impossible, to ensure the timely restoration of information and functioning, and the timely resuming of services and activities performed by the company;

3. accounting policies and procedures allowing, when requested by the commission, providing to it in a timely manner the financial reports reflecting correctly and fairly the management company's financial state; the accounting policies and procedures should be in

compliance with all applicable accounting standards and norms and ensure the protection of unit-holders.

Art. 116. The management company monitors and regularly evaluates the adequacy and effectiveness of its systems, the mechanisms for internal control and organisation established in accordance with art. 115, and also takes suitable measures to resolve possible gaps and contradictions.

Art. 117. (1) The management company hires employees possessing the necessary skills, knowledge, and experience to perform the obligations assigned to them.

(2) The management company has the necessary resources and expert experience allowing it to effectively monitor the activities delegated to third parties in the manner of art. 106 of CISOUCIA, especially with regard to the management of risk arising from such delegation.

(3) The management company guarantees that performance of more than one function by persons working under a contract for it does not hinder and may not hinder these persons from performing each individual function correctly, fairly, and professionally.

(4) The management company performs its obligations under par. 1-3 taking into account the nature, scale, and complexity of its business activity, and also the nature and scope of services and activities it performs.

(5) Members of the management company's managing bodies, its employees, and also all other persons working under a contract for the management company, may not disclose, unless authorized for this, or use for their own benefit or the benefit of others, facts and circumstances constituting commercial secret, which have become known to them in connection with performing their professional and work-related obligations.

Section II
Administrative and accounting procedures

Art. 118. (1) (Amended – SG, issue 63 of 2016) The management company adopts, applies, and maintains an effective and transparent policy under chapter seven "c" for the reasonable and fast processing of complaints submitted by the investors.

(2) (Amended – SG, issue 63 of 2016) The management company documents each submitted complaint and the measures taken with regard to it.

(3) (Amended – SG, issue 63 of 2016) Investors have the right to submit complaints without paying a fee. Information on the policy under par. 1 is provided to investors free of charge.

(4) (new – SG, issue 63 of 2016) The policy under par. 1 is adopted and amended by senior management.

Art. 119. (1) The management company maintains the necessary electronic systems allowing the timely and correct registration and documenting of each transaction with assets from each collective investment scheme's portfolio, and also of orders for subscribing or redemption of units in implementation of art. 65 and 137.

(2) The management company ensures a high level of security during processing of electronic data, and also with regard to the integrity and confidentiality of registered information.

Section III
Internal control mechanisms

Art. 120. (1) The management company, when performing internal distribution of

functions, assigns to the senior management or to another person or body performing supervisory functions, the responsibility for compliance with its obligations under the requirements of CISOUCIA and regulations for its application.

(2) In performance of its supervisory functions, the senior management:

1. bears responsibility for implementation of the general investment policy for each managed collective investment scheme as provided for in the prospectus, statute, respectively rules of the collective investment scheme;

2. monitors the process of approval of the investment policy and strategy of each managed collective investment scheme;

3. bears responsibility for the creation and effective functioning of an internal regulatory compliance business unit under art. 123;

4. periodically verifies the correct and effective compliance with the general investment policy and strategy, and limitations of risk for each managed collective investment scheme;

5. approves and reviews the adequacy of internal procedures for taking of investment decisions for each managed collective investment scheme, in order to guarantee that these decisions are in compliance with the investment strategy;

6. approves and periodically reviews the risk management policy, and also organisation, implementation, methods, and techniques for application of this policy, including the system for limiting the risk or each managed collective investment scheme.

(3) Senior management, as well as other person or body performing supervisory functions at the management company, periodically, but no less than once a year, evaluate and review the effectiveness, organisation, and procedures for regulatory compliance. As a result of the performed review, the bodies under sentence one take suitable measures to resolve the weaknesses, if any are found.

Art. 121. (1) For the purpose of effective implementation of supervisory functions, senior management or the other person or body performing supervisory functions should receive regularly, at least once a year, written reports from internal business units for regulatory compliance, internal audit and risk management.

(2) The reports under par. 1 must include an evaluation of compliance with regulatory requirements and internal acts regulating the management company's activity, specifically indicating whether suitable corrective measures have been taken in the event of detected irregularities.

(3) For performance of supervisory functions under art. 120, par. 2, senior management receives reports of implementation of the investment strategy and the internal procedures for taking of investment decisions by responsible persons within the management company.

Art. 122. The management company adopts, applies, and maintains adequate policies and procedures to detect every risk of non-compliance with its obligations under CISOUCIA and the regulations on its application, as well as the risk associated with this, and applies adequate measures and procedures intended to minimise this risk, taking into account the nature, scale, and complexity of its activity, as well as the nature and scope of the services provided by it.

Art. 123. (1) The management company creates and maintains a permanent and operating internal business unit for regulatory compliance, which functions separately and independently of other business units and activities. The internal business unit for regulatory compliance verifies and evaluates adequacy and effectiveness of measures, policies, and procedures adopted by the management company under art. 122, and also of actions taken to eliminate all omissions in performing of obligations by the management company. The internal business unit for regulatory

compliance consults and aids the persons working under a contract for the management company, responsible for performing the services and activities for compliance with the management company's obligations under CISOUCIA and the regulatory acts for its application.

(2) In order to ensure the correct and independent performance of obligations under par. 1, the management company guarantees that the internal business unit for regulatory compliance has the necessary authorisations, means, competency, and access to the entire corresponding information.

(3) The internal regulatory compliance business unit is managed by a supervisor. The business unit should prepare and present to senior management or the other person or body performing supervisory functions, up to the 10th day of the month following each six-month period, a report of the business unit's activity for the indicated period. The report under sentence one must indicate detected risks, omissions, and inconsistencies, if any, and the measures taken to resolve them.

(4) Persons working under a contract with the management company, participating in an internal regulatory compliance business unit, must not participate in implementation of the services and activities monitored by them.

(5) The manner of determining the remuneration of persons working under a contract for the management company, participating in the regulatory compliance business unit, must not compromise their objectiveness and must not give rise to a possibility for this.

(6) Regardless of the requirements of par. 3, the management company may not comply with the provisions of par. 4 and/or par. 5, if it can prove that taking into account the nature, scale, or complexity of the activity performed by it, and also the character and scope of investment services and activities, these requirements are not justified and the work of the internal regulatory compliance business unit continues to be effective.

(7) In the event that the management company applies the exception under par. 6, it should notify the commission about this within a 3-day period.

Art. 124. (1) The management company, where applicable and taking into account the nature, scale, and complexity of its activity, and also the type and scope of performed activity for management of the collective portfolio, creates and maintains an internal audit business unit, which functions separately and independently of other business units and activities.

(2) The internal audit business unit is responsible for:

1. adopting, application and updating of a plan for audit verifications in order to verify the adequacy and effectiveness of the management company's systems, mechanisms for internal control, and all other agreements and policies;

2. making recommendations based on the results of activity under p. 1;

3. verification of compliance with recommendations under p. 2;

4. reporting of matters associated with internal audit in accordance with the requirement of art. 121.

Art. 125. (1) The management company adopts, applies, and maintains an adequate organisation and measures in order to prevent any person working under a contract for it and involved in activities which might cause a conflict of interests, or having access to internal information or other confidential information associated with the collective investment scheme or transactions of such scheme, in accordance with the activity and functions performed by him/her on behalf of the management company, from performing the following activities:

1. concluding a private transaction corresponding to at least one of the following criteria:

a) this person doesn't have the right to perform such private transaction within the meaning

of the Act against market abuse with financial instruments;

b) the transaction is associated with abuse or unauthorized disclosure of confidential information;

c) the transaction contradicts or is likely to contradict an obligation of the management company under CISOUCIA or the Financial instrument markets act;

2. (amended – SG, issue 63 of 2016) providing counsel or aid, outside the normal for performance of his/her work-related or contractual obligations, to another person to effect a transaction with financial instruments, which, had it been a private transaction of a person working under a contract for the management company, would fall under the hypotheses of par. 1, p. 1, or under art. 42, par. 3, p. 1 and 2 of Ordinance No. 38 or would otherwise constitute abuse of information associated with orders which are not implemented;

3. disclosure, outside the normal for performance of his/her work-related or contractual obligations in compliance with art. 9, p. 1 of the Act against market abuse with financial instruments, of any information or opinion, to another person, if a person working under a contract for the management company knows or is supposed to know that as a result of this disclosure, the person will take or is likely to take the following actions:

a) effect a transaction with financial instruments, which, had it been a private transaction of a person working under a contract for the management company, would fall under the hypotheses of par. 1, p. 1, or under art. 42, par. 3, p. 1 and 2 of Ordinance No. 38, or would otherwise constitute abuse of information associated with orders which are not implemented;

b) give counsel or aid another person in effecting such a transaction.

(2) Organisation and measures under par. 1 must guarantee that:

1. every person working under a contract for the management company under par. 1 is familiar with the limitations for private transactions and measures established by the management company in connection with private transactions and disclosure of information in accordance with par. 1;

2. the management company is informed in a timely manner about each private transaction concluded by a person working under a contract for the management company, by notification about such transaction or through other procedures allowing it to detect such transactions;

3. (amended – SG, issue 63 of 2016) a journal is kept of private transactions, about which the management company is informed or which are detected by it, including every permission or prohibition in connection with such transaction.

(3) If the activity for sale and redemption of units of a collective investment scheme is performed by third persons, the management company must guarantee that the subject performing the activity maintains a register of private transactions effected by persons working under a contract for the management company, and will provide information in a timely manner to the management company when requested.

(4) Paragraphs 1, 2, and 3 do not apply to the following types of private transactions:

1. private transactions effected as a part of portfolio management, where in association with the transactions, there is no preliminary communication between the portfolio manager and a person working under a contract for the management company or another person, at the expense of whom the transaction is effected;

2. private transactions with collective investment schemes or units of collective investment undertakings, which are subject to supervision under current legislation in the country, requiring an equivalent level of distribution of risk among its assets, when a person working under a contract for the management company, and the other person, at the expense of whom the

transactions are performed, do not participate in the management of this undertaking.

(5) For the purposes of par. 1-4 of the present article, a "private transaction" has the meaning of the term under § 1, p. 9 of the additional provisions of Ordinance No. 38.

Section IV
Conflict of interests

Art. 126. (1) In order to determine the types of conflict of interests arising in the course of providing services and activities, and the existence of which may harm the interests of the collective investment scheme it manages, the management company monitors using a pre-defined minimum of criteria whether it or a person working under a contract for it, or a person directly or indirectly related through exercising control over the management company, falls within one of the following situations, regardless whether as a result of providing services under collective portfolio management, or otherwise:

1. the management company or any of the persons mentioned in par. 1 may affect profit or avoid losses at the expense of a collective investment scheme managed by the company;

2. the management company or any of the persons mentioned in par. 1 has an interest in the result of the service or activity provided to the collective investment scheme or to another client, or of the transaction effected on behalf of the collective investment scheme or of another client, which is different from the corresponding scheme's interest;

3. the management company or any of the persons mentioned in par. 1 have a financial or another incentive to prefer the interest of another client or group of clients to the interests of a collective investment scheme managed by the company;

4. the management company or any of the persons mentioned in par. 1 perform the same activities for a collective investment scheme and for another client or clients, who are not a collective investment scheme;

5. the management company or any of the persons indicated in par. 1 receives or will receive from a person other than the collective investment scheme managed by the company, a benefit associated with the activity provided to the collective investment scheme for collective portfolio management in the form of money, goods, or services, other than the standard commission or fee for such service.

(2) When determining the types of conflicts of interest, the management company takes into account:

1. the interests of the management company itself, including those arising from its association with a group or from implementation of services and activities, the clients' interests and the management company's obligation to the collective investment schemes it manages;

2. the interests of collective investment schemes managed by the company, where there is more than one.

Art. 127. (1) The management company adopts in writing, applies, and maintains an effective policy for avoiding of conflicts of interest, corresponding to the size and organisation structure of the company, and also the nature, scale, and complexity of its activity.

(2) In the event that the management company is a member of a group, the policy under par. 1 must also take into account all circumstances the company is or should be familiar with, which may cause a conflict of interests, arising from the structure and business activity of the other members of the group.

(3) The policy for avoiding of conflicts of interest must include:

1. in connection with activities for collective portfolio management performed by the management company, determining the circumstances which constitute or may cause a conflict of interests leading to a significant risk of harm to the interests of the collective investment scheme managed by the company, or of one or more clients;

2. procedures which must be applied, and measures, which must be taken, in order to manage conflicts of interest under p. 1.

Art. 128. (1) Procedures and measures under art. 127, par. 3, p. 2 must guarantee that the persons working under a contract for the management company, participating in various activities associated with a conflict of interests, are exercising these activities at a degree of independence corresponding to the scale and activity of the management company and the group it belongs to, and also to the significance of risk of harm to clients' interests.

(2) Procedures and measures under art. 127, par. 3, p. 2, where it is necessary and suitable for the management company, in order to guarantee the corresponding degree of independence, also include the following:

1. effective procedures for prevention or control of the exchange of information between persons working under a contract for the management company, participating in activities for collective portfolio management, associated with the risk of conflict of interests, where such exchange of information might harm the interests of one or more clients;

2. separate supervision of the persons working under a contract for the management company, whose functions are associated with performing activities for collective portfolio management on behalf of clients or for providing of services to clients or investors, whose interests might be in conflict, or who otherwise represent different interests, which might be in conflict, including with the interests of the management company;

3. removing any direct link between the remuneration of persons working under a contract for the management company, participating in performing a given activity, and remuneration of other persons working under a contract with the management company participating in performing another activity, or the income created by them, where a conflict of interests might arise related to these activities;

4. measures to avoid or limit any person to exercise undue influence on the way, in which a person working under a contract for the management company performs collective portfolio management activities;

5. measures for prevention and control of simultaneous or consecutive participation of a person working under a contract for the management company in separate activities for the management of the collective portfolio, where such participation might hinder the management of conflicts of interest.

(3) If adoption or the action of one or more of the measures and procedures under par. 2 does not ensure the necessary degree of independence, the management company undertakes alternative or additional measures and procedures, necessary and suitable to ensure the corresponding degree of independence.

Art. 129. (1) The management company maintains and regularly updates a register of the types of activities for collective portfolio management performed by it or on behalf of it, where:

1. a conflict of interests has occurred, giving rise to a significant risk of damaging the interests of one or more collective investment schemes managed by the company, or other clients, or,

2. in the event that the activity for collective portfolio management is performed, a conflict of interests might arise, causing a significant risk of damaging the interests of one or more

collective investment schemes managed by the company, or other clients.

(2) In the cases where the organisation or administrative structure established by the management company with regard to the management of conflicts of interest cannot to a sufficient and reasonable degree ensure prevention of risks of harming the interests of a collective investment scheme managed by the company, or of the unit-holders of this scheme, the senior management or another competent internal body of the management company must be informed in a timely manner, in order to take the necessary decision, guaranteeing that in all cases the management company is acting in the best interest of the collective investment scheme and of its unit-holders.

(3) In cases under par. 2, the management company informs investors in a suitable manner, whereas the information is provided on a durable medium, and justifies its decision.

Art. 130. (1) The management company must develop suitable and effective strategies to determine the time and manner, in which the right to vote arising from the financial instruments in the managed portfolios will be exercised in the exclusive interest of the corresponding collective investment scheme.

(2) Strategies under par. 1 include measures and procedures for:

1. monitoring of the corresponding corporate events;

2. guaranteeing that exercising of the right to vote is in compliance with the investment aims and policy of the corresponding collective investment scheme;

3. preventing or management of any conflicts of interests arising from exercising of the right to vote.

(3) The management company provides a summarised description of strategies under par. 1 to the investors.

(4) Information on details with regard to the actions taken in relation to these strategies is provided to unit-holders free of charge by their request.

Section V
Rules for performing of activity

Art. 131. (1) The management company treats fairly the unit-holders of collective investment schemes managed by it.

(2) The management company must not place the interests of any group of unit-holders above the interests of another group of unit-holders.

(3) The management company applies suitable policies and procedures aiming to prevent abuse, which can reasonably be expected to affect market stability and integrity.

(4) The management company uses fair, correct, and transparent price models and systems for evaluation of collective investment schemes managed by it in compliance with applicable law, so as to perform its obligation to act in the unit-holders' best interest. The company must be able to prove that portfolios of collective investment schemes are evaluated correctly.

(5) The management company performs its activity in a way, which will prevent accrual of excessive expenses for the collective investment scheme and its unit-holders.

Art. 132. (1) The management company acts with due diligence in the selection and ongoing monitoring of investments, which must always be in the best interest of the collective investment scheme and its unit-holders.

(2) (Supplemented – SG, issue 63 of 2016) The management company ensures performance of its activity with the necessary knowledge and understanding regarding the assets the collective

investment schemes managed by the company invest in. For this purpose, the management company appoints an investment consultant.

(3) The management company adopts written policies and procedures for due diligence and has an effective organisation guaranteeing that the investment decisions taken on behalf of the collective investment schemes it manages correspond to the aims, investment strategy, and risk limitations of these collective investment schemes.

(4) In implementation of the its risk management policy and where this is suitable with regard to the nature of the expected investment, the management company must prepare estimates and perform analyses of the investment's contribution to the structure, liquidity, risk profile and return of the collective investment scheme's portfolio, before it makes the corresponding investment.

(5) Analyses under par. 4 must be made only based on reliable and current information with respect to quantity and quality.

Section VI
Best performance

Art. 133. (1) The management company acts in the best interest of the collective investment scheme managed by it when implementing decisions for transactions on behalf of the corresponding scheme while managing its portfolio.

(2) The management company, in performing the obligation under par. 1, takes all reasonable actions to achieve the best possible result for the collective investment scheme, taking into account the price, expenses, term, likelihood of implementation and settlement, the volume and type of the order, or any other circumstance associated with implementation of the order. In order to determine the corresponding value of these factors, the following criteria are applied:

1. the aims, investment policy and specific risks for the collective investment scheme, as indicated in the prospectus, the fund rules, or in the investment company's statute;

2. characteristics of the order;

3. characteristics of the financial instruments subject to the order;

4. characteristics of the places of implementation, to which the order may be submitted.

(3) The management company adopts and applies effective policies and rules for performing the obligation under par. 2, and also adopts and applies a policy allowing it to achieve the best result for the collective investment scheme in accordance with par. 2.

(4) The management company must acquire the investment company's prior consent regarding the policy for implementation of orders applied to it.

(5) The management company:

1. provides unit-holders with suitable information regarding the policy established in accordance with the present article, and also regarding any significant changes to this policy;

2. regularly monitors the effectiveness of its organisation measures and policy with regard to implementation of orders, to detect and, where necessary, resolve any defects;

3. reviews the policies for implementation of orders annually, and also in the event of significant change affecting the management company's ability to continue achieving the best possible result for the managed collective investment schemes;

4. must be capable of proving that it is performing the orders on behalf of the collective investment schemes it manages in accordance with its policy for implementation of orders.

Art. 134. (1) The management company acts in the best interest of the collective investment

schemes managed by it in appointing other persons to perform the orders on behalf of these schemes when managing their portfolios.

(2) The management company, in performing the obligation under par. 1, takes all reasonable actions to achieve the best possible result for the corresponding collective investment scheme, taking into account the price, expenses, term, likelihood of implementation and settlement, the volume and nature of the order, or any other circumstance associated with implementation of the order. To determine the corresponding value of these factors, criteria under art. 133, par. 2 are applied.

(3) To fulfil the obligation under par. 1, the management company adopts and implements an appointment policy. The policy indicates the subjects, to which the order may be assigned with regard to every class of financial instruments.

(4) The management company concludes a contract for implementation of an order only if with this contract it does not violate its obligations under the present article. The management company provides unit-holders with suitable information on the established policy, and also on any significant changes to it.

(5) The management company regularly monitors the effectiveness of the adopted policy and more specifically the quality of implementation by the subjects determined in this policy, and, where necessary, rectifies any detected defects.

(6) The management company reviews the policy annually, and also in the event of significant change affecting the management company's ability to continue achieving the best possible result for the collective investment schemes it manages;

(7) The management company must be capable of proving that it assigns orders on behalf of the collective investment schemes it manages in accordance with the policy under par. 3.

Section VII
Effecting orders with the collective investment scheme's assets and requirements for their registration and storing of information on them

Art. 135. (1) The management company adopts and applies procedures and measures ensuring the due, correct, and fast effecting of orders with assets in the portfolios of collective investment schemes it manages.

(2) Procedures and measures under par. 1 must meet the following requirements:

1. guarantee that orders effected on behalf of the collective investment schemes are duly and correctly registered and distributed;

2. perform consistently and duly comparable orders of the collective investment schemes, unless this is difficult to achieve due to the order's features or the existing market conditions, or if the corresponding scheme's interests require otherwise.

(3) The financial instruments or monetary funds received in settlement of effected orders are transferred immediately and accurately to the corresponding collective investment scheme's account.

(4) The management company may not abuse the information associated with pending (not completed) orders of the collective investment scheme, and takes all reasonable steps to prevent abuse of such information by the persons working under a contract with it.

Art. 136. (1) The management company may not effect an order of one collective

investment scheme by aggregating it with an order of another scheme it manages, or of another client, or with an order at its own expense, unless the following conditions are met:

1. there is a low likelihood for the aggregation of orders to harm the interests of any collective investment scheme or clients whose orders will be aggregated;

2. the management company has adopted and is effectively applying a policy for aggregation and allocation of orders containing sufficient specific rules on the fair allocation of aggregated orders, including on the way the volume and price of orders determine allocation and processing in the cases of partial implementation.

(2) Where the management company aggregates an order from a given collective investment scheme with one or more orders of another scheme or clients and the aggregated order is implemented partially, the management company allocates the corresponding transactions in accordance with its policy for allocation of orders.

(3) Where the management company aggregates orders of a given collective investment scheme or other clients with transactions made at its own expense, the company allocates the corresponding transactions in a way so that it does not harm the collective investment scheme or other clients.

(4) Where the management company aggregates an order of a specific collective investment scheme or another client with a transaction made at its own expense, and the aggregated order is implemented partially, the management company allocates the corresponding transactions of the collective investment scheme or of the other client as a higher priority, before allocating the transactions at its own expense.

(5) If the management company is able to reasonably justify before the collective investment scheme or other of its clients, that without aggregating the orders, the company would not be able to effect them at the same profitable terms or effect them at all, it may allocate proportionally the transaction made at its own expense in accordance with the policy under par. 1, p. 2.

Art. 137. (1) The management company guarantees that for each transaction associated with a collective investment scheme's portfolio, information needed to reproduce the details regarding the order and the performed transaction is immediately recorded.

The record under par. 1 includes:

1. the name or other indication of the collective investment scheme and the person acting on its behalf;

2. detailed information necessary for identifying the instrument in question;

3. quantity;

4. type of order or transaction;

5. price;

6. for orders – date and exact time of submitting of the order, as well as the name or other indication of the person the order is submitted to, or for transactions – the date and exact time of the decision to trade and perform the transaction;

7. the name of the person submitting the order or effecting the transaction;

8. the reasons for cancelling the order, where applicable;

9. for concluded transactions - counterparty and identification of the place of implementation.

(3) Place of implementation under par. 2, p. 8 is a "regulated market" within the meaning of art. 73, par. 1 of the Financial instrument markets act , "multilateral trading system" within the meaning of § 1, p. 19 of the OP of the FIMA, a "systematic participant" within the meaning of §

1, p. 5 of OP of the FIMA or a market maker or another person providing liquidity, or a subject performing in a third country a function similar to the functions performed by any of the subjects above.

(4) Storage of information on records under par. 1 is done in the manner of art. 68.

Section VIII
Fees, commissions, and other non-monetary benefits

Art. 138. (1) The management company acts honestly, fairly, and professionally in accordance with the best interest of the collective investment scheme, and must not, with regard to the activities for management and administration of the corresponding scheme's investments, pay or receive any fee or commission, or provide, or receive non-monetary benefits, unless they are:

1. a fee, commission, or non-monetary benefit paid by or to the collective investment scheme, or to a person on the scheme's behalf, or received from him/her;

2. a fee, commission, or non-monetary benefit paid by or to a third party, or received from it, or a person acting on behalf of a third party, where the following conditions are met:

a) the existence, nature, and amount of the fee, commission, or benefit, or where the amount cannot be determined, the method of calculation of the sum, must be clearly announced to the collective investment scheme in a comprehensive, exact, and understandable way before providing the corresponding service;

b) payment of a fee or commission or providing of non-monetary benefits must aim to improve the quality of the corresponding service and not to hinder performing of the management company's obligation to act in the collective investment scheme's best interest;

3. specific fees permitted or needed for the provision of the corresponding service, including trustee fees, fees for settlement or currency exchange, regulatory fees, taxes or legal fees, and which by their nature cannot lead to conflicts of interests with the management company's obligations to act honestly, fairly, and professionally in the collective investment scheme's best interest.

(2) The management company may, for the purposes of par. 1, p. 2, item "b", announce in a summarised form the main conditions of agreements regarding fees, commissions, or non-monetary benefits. By a unit-holder's request, the management company undertakes to disclose additional details regarding the agreements.

Section IX
Requirements to the management company when providing additional services under art. 86, par. 2, p. 2-4 of CISOUCIA
(Title amended – State Gazette, issue 63 of 2016)

Art. 139. (1) Where the management company manages an individual portfolio, it must comply with its obligation to act honestly, fairly, and professionally in accordance with the client's best interest, by notifying it about the risks of transactions with financial instruments.

(2) (Supplemented – SG, issue 63 of 2016) The management company provides, at a client's expense, the services under art. 86, par. 2, p. 2-4 of CISOUCIA based on a written contract with the client. With regard to the procedure and manner of conclusion of contracts, the requirements

of chapter four, section II of Ordinance No. 38 apply respectively. The functions of an employee from the internal control business unit are performed by an employee from the regulatory compliance business unit. The contract under sentence one may be concluded under general terms.

(3) (Amended – SG, issue 63 of 2016) When providing services other than those under art. 86, par. 2, p. 3 of CISOUCIA to a new non-professional client, the management company provides to it, on paper or on another durable medium, information on the client's and the management company's main rights and obligations, including by providing the general terms applied by the company.

(4) The content of the general terms is determined depending on the services and activities offered by the management company, whereas they may contain the information the management company must provide to its clients under the requirements of the present ordinance.

(5) (Supplemented – SG, issue 63 of 2016) The management company includes in its general terms or in the contract with the client, where general terms are not attached, information on the manners for reasonable and fair settlement of disputes and the ways to settle the relationship with the client after terminating the contractual relationship.

(6) The management company, when providing information to its clients and potential clients, including the information in marketing messages, complies with the requirements of art. 27, par. 4 of FIMA, and art. 7 of Ordinance No. 38 respectively.

(7) The management company, when performing individual management of the client's portfolio, complies with its obligation to act in accordance with the client's best interest under art. 3, par. 1 and 3 of Ordinance No. 38.

(8) The management company, when performing individual management of a client's portfolio, must respectively adopt and apply in its activity the rules for aggregation and allocation of orders under art. 37 of Ordinance No. 38.

(9) (new – SG, issue 63 of 2016) The management company, which provides additional services under art. 86, par. 2, p. 2-3 of CISOUCIA, complies with the requirement under art. 6 of Ordinance No. 38.

Art. 140. (1) The management company must provide to this clients the following information:

1. the corresponding data on the management company and the services offered by it under art. 8 and 9 of Ordinance No. 38.

2. financial instruments subject of the additional services provided by it, and the offered investment strategies, as well as the risks associated with these instruments and strategies under art. 10 and 11 of Ordinance No. 38;

3. the types of expenses for the client and their amount, whereas with regard to non-professional clients and potential non-professional clients, art. 18 of Ordinance No. 38 applies;

4. the manner of storing of cash and/or financial instruments of clients when providing the service of managing an individual portfolio under art. 32 of Ordinance No. 38.

(2) The management company provides the information under par. 1 in compliance with the requirements of art. 27, par. 6 of FIMA, and art. 12, par. 1 and 2, and par. 3, p. 2 of Ordinance No. 38.

Art. 141. The management company requires from the client, respectively the potential client, information on their financial resources, investment aims, knowledge, experience, and willingness to risk, and in providing the service follows the received information in compliance with the requirements under art. 19 and 21 of Ordinance No. 38.

Art. 142. With regard to providing and receiving remuneration, commissions, non-monetary benefits and fees in association with the additional services of management of individual portfolio and providing investment consulting, the management company complies with the requirements of art. 14 of Ordinance No. 38.

Art. 143. (Amended and supplemented – SG, issue 63 of 2016) The management company, in providing the additional services under art. 86, par. 2, p. 2 and 3 of CISOUCIA, may assign performance of important operating functions to a third party under the conditions and in the manner of art. 24, par. 1, p. 12, and art. 32, par. 6 of FIMA, and chapter five of Ordinance No. 38.

Art. 144. (Amended – SG, issue 63 of 2016) The management company provides to each client it provides a service to under art. 86, par. 2, p. 2 of CISOUCIA, a report under the terms and in the manner of art. 46-49 of Ordinance No. 38.

Art. 145. (1) For its portfolio management activity, the management company must keep a separate journal for each person, containing at least the corresponding information under art. 7 and 8 of Regulation 1287/2006/EC.

(2) In keeping accountancy under par. 1, the management company applies respectively the requirements of art. 61 and 62 of Ordinance No. 38.

Art. 146. (1) The management company must create and maintain such internal organisation, including a management and accounting organisation, and technical equipment, as to ensure continuous and regular, in accordance with the requirements of CISOUCIA and the acts for its application, performing of its obligations to the persons, with regard to whom it performs services under art. 86, par. 2 of CISOUCIA.

(2) (Supplemented – SG, issue 63 of 2016) The management company, with regard to activity under art. 86, par. 2 of CISOUCIA, provides effective and open procedures for reasonable and timely review of complaints received from non-professional clients and potential non-professional clients. With regard to performing its obligation under the previous sentence, the management company respectively applies art. 75, par. 1, p. 9, and art. 72 of Ordinance No. 38, and chapter seven "c".

(3) The management company establishes the conditions with regard to its holding of financial instruments and monetary funds provided by clients, which ensure minimising the risk of loss or reduction of client assets or the rights associated with to these assets as a result of abuse, fraud, bad management, lack of corresponding accounting or negligence, and which conditions are in compliance with the requirements of art. 28-32 of Ordinance No. 38.

(4) (Supplemented – SG, issue 63 of 2016) The management company providing additional services under art. 86, par. 2, p. 2-4 of CISOUCIA adopts, applies, and maintains rules for the conclusion of private transactions with financial instruments and keeps a journal of them under art. 17 and 70 of Ordinance No. 38.

Art. 147. (Supplemented – SG, issue 63 of 2016) The management company providing additional services under art. 86, par. 2, p. 2-4 of CISOUCIA adopts and applies rules for risk management and has a risk management business unit with functions under art. 82, par. 1 of Ordinance No. 38.

Art. 148. (Supplemented – SG, issue 63 of 2016) The management company, with regard to activity under art. 86, par. 2, p. 2-4 of CISOUCIA, adopts, applies, and maintains a policy for treating of conflicts of interests under art. 41-44, art. 75, par. 1, p. 4, and par. 3 of Ordinance No. 38.

Art. 149. (1) The management company, with regard to activity under art. 86, par. 2 of CISOUCIA, must store the entire documentation and information prepared and provided in

association with it, on a magnetic or paper medium.

(2) Storage of documentation and information under par. 1 is done in the manner and within periods according to art. 74, par. 2-6 of Ordinance No. 38.

Art. 150. The regulatory compliance business unit of the management company monitors compliance with the requirements under the present section and includes its conclusions on compliance or non-compliance in the reports it prepares according to the requirements of the present ordinance.

Section X
The management company's capital adequacy and liquidity

Art. 151. (1) (Amended – SG, issue 52 of 2015, issue 63 of 2016) The management company must have a starting capital no less than the BGN equivalent of EUR 125,000.

(2) (Amended – SG, issue 52 of 2015, issue 63 of 2016) The management company maintains at all times equity exceeding or equal to the value under par. 1 and 3.

(3) Where the value of investment portfolios managed by the management company individually or in aggregate exceed the BGN equivalent of EUR 250,000,000, it must increase its equity amount by no less than 0.02 per cent of the amount of the difference between the value of balance assets and the BGN equivalent of EUR 250,000,000. Sentence one does not apply where the management company's capital reaches the BGN equivalent of EUR 10,000,000.

(4) Where the total value of assets of collective investment schemes and other collective investment undertakings under par. 3 is calculated, assets managed by the management company by delegation are not included.

(5) Regardless of the requirements under par. 2, the value of the management company's equity must at all times by no less than one fourth of its constant total expenses for the previous financial year.

(6) In the event of a significant change in the volume of the management company's business over the present year in comparison with the previous one, the Deputy Chairperson may permit equity under par. 5 to be calculated based on constant total expenses indicated in the business program.

(7) For the management company, which has not performed any activity throughout the entire previous financial year, as of the day of acquiring a license, the volume of equity is determined based on the estimated constant total expenses set out in the business program unless the Deputy Chairperson has required a correction of expenses in the business program.

(8) The management company determines the constant total expenses under par. 5 based on the annual financial report certified by a registered auditor.

Art. 152. (1) Where the management company's equity drops below the value indicated in art. 151, par. 1, by the management company's request, the Deputy Chairperson may determine a deadline for the company to restore the value of its equity at least up to the volume indicated in art. 151, par. 1.

(2) If the management company does not restore the value of its equity within the term established under par. 1, art. 100, par. 1, p. 5 of CISOUCIA applies.

Art. 153. (1) The management company maintains at all times minimum liquid funds, including monetary fund’s in cash, in term and sight deposits in a bank, which is not undergoing an insolvency procedure, state securities, and mortgage and municipal bonds having a market price, with an amount no less than that of its present obligations with a maturity date up to 3

months.

(2) At least 90 per cent of the monetary fund's under par. 1 must be in term and sight deposits in a bank.

Art. 154. The management company prepares a quarterly report of its capital adequacy and liquidity according to a standard form approved by the Deputy Chairperson.

Section XI
Disclosure of information

Art. 155. (1) The management company informs the commission about:

1. entering the company in the commercial register;

2. change in the name, seat, management and correspondence address, UIC or the tax number;

3. opening or closing a branch or an office;

4. change in the composition of the management and/or the supervisory body;

5. change in the manner of representation;

6. amendment and/or supplementing of the statute and internal rules;

7. change in the circumstances reflected in other documents serving as grounds for the issuing of a license to pursue activity as a management company;

8. arising or change in a circumstance, as a result of which the regulatory requirements to members of the management and/or control body, to other persons assigned with management of the company, to the chief of the regulatory compliance business unit and the investment consultant, are no longer met;

9. replacement of a person assigned with management of the company, of an investment consultant and/or the chief of the regulatory compliance business unit, or the internal audit business unit;

10. (amended – SG, issue 63 of 2016) assigning of functions and actions under art. 86, par. 1 and par. 2, p. 1 and 4 of CISOUCIA to a third person;

11. application of forced administrative measures, administrative penalties, and other sanctions for serious violations by other state authorities or by the Central depositary to the management company and to members of the management and/or control body and persons working under a contract for the management company;

12. started legal and arbitration procedures the company is a party to, if such have had or may have a significant effect on its activity;

13. starting an insolvency procedure;

14. taking a decision for restructuring;

15. taking a decision for winding up;

16. opening a liquidation procedure;

17. change in the general terms applicable to management contracts;

18. arising of other circumstances subject to recording in the commission's register under a separate ordinance, respectively changes to these circumstances.

(2) (Amended – SG, issue 63 of 2016) The obligation under par. 1, p. 9-15 must be fulfilled within a 3-day period, and in the remaining cases – within a 7-day period of taking the decision or of the arising of the circumstance or change, respectively being informed about the arising of the change in the circumstance, including in case of change to data under par. 1, p. 2, and where the circumstance is subject to entering in the commercial register – of the record becoming known.

Art. 156. (1) (Supplemented – SG, issue 63 of 2016) The management company presents at the commission, up to the 10th day of the month following the quarter, an accounting balance and an income and expenses report as of the last date of each quarter in the form of reports according to a standard form established by the Deputy Chairperson, and also the report under art. 154.

(2) (Amended – SG, issue 63 of 2016) The management company must present in the commission an annual financial report under art. 39 of the Accounting act, certified by a registered auditor or by a specialised auditing company, within up to 90 days of the end of the financial year.

(3) With the annual financial report, the management company shall present also reports according to a standard form determined by the Deputy Chairperson, as well as information on the amount of remuneration of members of its management and control bodies, information on received remuneration from the management company individually for each of the collective investment schemes and other portfolios managed by them.

(4) The management company shall present to the commission information under the present section in the manner of art. 43 of Ordinance No. 2.

Section XII
Restructuring of management companies

Art. 157. (1) The management company may be restructured by merger, takeover, split or spinoff provided that after restructuring each of the receiving or new management companies is in compliance with the requirements of CISOUCIA.

(2) For issuing of a permit for restructuring under par. 1, a request must be submitted to the commission, to which the following data and documents are attached:

1. certified transcripts of the decision of the competent body of restructuring companies according to statute acts, respectively of the restructuring company, for effecting the restructuring, approval of the contract or plan for restructuring under p. 3, as well as all necessary amendments and supplements to the statute acts in association with restructuring.

2. a written report of the management bodies of the restructuring and receiving companies containing detailed legal and economic justification of the contract or plan for restructuring and especially of the ratio of exchange, and in case of split and spinoff – of the criterion for allocation of shares, data on the assigned verifier under art. 262l of the CA, and the authorised depositary under art. 262x of CA, as well as difficulties in evaluation, if any;

3. a contract or plan for restructuring in the form under art. 262f of the CA and with the content under art. 262g of the CA;

4. a financial report and a report of capital adequacy and liquidity of the restructuring company as of the date of submission of the request; the commission may require from the management company additional information and clarification on the reports, as well as presenting an additional financial report and a report of capital adequacy as of the determined date, including a draft;

5. information on changes which have occurred in the property rights and obligations under art. 262n, par. 4 of CA, if any;

6. the trustee's report under art. 262m of the CA, respectively also under art. 262u of the CA;

7. accounting balance and a report of capital adequacy as of the last day of the month before the date of the contract or the restructuring plan;

8. drafts for a new statute of each of the newly founded companies, respectively for amendments and supplements to the statute of each of the restructuring and receiving companies.

Art. 158. (1) The commission issues or refuses to issue a permit within one month of receiving the request, and where additional information and documents have been demanded – of their receiving.

(2) The commission refuses to give approval if restructuring is not in compliance with legal requirements, the requesting party has presented incorrect data or documents with incorrect content, or the interests of the management company's clients and of the unit-holders of collective investment schemes managed by it are not secured.

(3) The commission, simultaneously with issuing of a permit for restructuring, issues also a license to perform the requested activities and services under art. 86, par. 1 and 2 of CISOUCIA to the newly founded or the receiving company, if the license already issued to the receiving company is amended as a result of restructuring.

(4) The commission notifies the Registry agency of the issued permit for restructuring within a three-day period.

Chapter eight
(Repealed – State Gazette, issue 63 of 2016)
REQUIREMENTS TO THE ACTIVITY OF THE INVESTMENT COMPANY OF CLOSED TYPE

Section I
(Repealed – State Gazette, issue 63 of 2016)
Requirements to the organisation and activity of the investment company of closed type

Art. 159. (Repealed – SG, issue 63 of 2016).
Art. 160. (Repealed – SG, issue 63 of 2016).
Art. 161. (Repealed – SG, issue 63 of 2016).
Art. 162. (Repealed – SG, issue 63 of 2016).
Art. 163. (Repealed – SG, issue 63 of 2016).
Art. 164. (Repealed – SG, issue 63 of 2016).

Section II
(Repealed – State Gazette, issue 63 of 2016)
Restructuring and winding up of an investment company of closed type

Art. 165. (Repealed – SG, issue 63 of 2016).
Art. 166. (Repealed – SG, issue 63 of 2016).
Art. 167. (Repealed – SG, issue 63 of 2016).
Art. 168. (Repealed – SG, issue 63 of 2016).

Art. 169. (Repealed – SG, issue 63 of 2016).
Art. 170. (Repealed – SG, issue 63 of 2016).
Art. 171. (Repealed – SG, issue 63 of 2016).
Art. 172. (Repealed – SG, issue 63 of 2016).

Chapter seven "a"
(New – SG, issue 63 of 2016)
NATIONAL INVESTMENT FUNDS

Section I
(New – SG, issue 63 of 2016)
Requirements to the organisation and activity of national investment funds

Art. 159. (New – SG, issue 63 of 2016) (1) The relationship between the national investment company and the management company or a manager of alternative investment funds is established in a contract with corresponding application of art. 2.

(2) Art. 3, par. 2, art. 4, art. 6, par. 1, and art. 7, p. 2-5 apply to the content of the contract with the depositary, with which a national investment fund's assets are stored. The contract indicates the responsibility each of the parties takes with regard to unit-holders/ shareholders of the national investment fund for damages as a result of non-performance of contractual obligations.

Art. 160. (New – SG, issue 63 of 2016) (1) A national investment company of closed type must have subscribed capital of no less than BGN 250,000, wheres contributions to the company's capital may only be made in cash.

(2) No less than 25 per cent of the national investment company's capital under par. 1 must be deposited when submitting the request for issuing of a license to pursue activity as a national investment company, and the remaining part – within a 14-day period of receiving the written notification from the commission that the license will be issued after depositing the full amount of capital.

(3) A national investment company of closed type must at all times possess equity no less than the capital under par. 1.

(4) The company under par. 1 may issue preferred shares under the conditions of the Commercial act.

(5) The company under par. 1 maintains a structure of assets and liabilities allowing it at any moment to cover its obligations.

Art. 161. (New – SG, issue 63 of 2016) (1) The management company, the manager of alternative investment funds, which manages a national investment fund, respectively a national

investment company under art. 172, par. 3 of CISOUCIA, establishes, applies, and maintains accounting policies and procedures, as well as rules for evaluation of assets and liabilities allowing at all times all assets and liabilities of the national investment fund to be identified and evaluated. The rules, policies, and procedures under sentence one must be in compliance with all applicable accounting standards and norms.

(2) Persons under par. 1 introduce, apply, and maintain policies and procedures for accounting and evaluation of their assets and liabilities, guaranteeing that information in the financial reports is correct, clear, and free of contradictions, and is in compliance with the applicable international accounting norms and standards. The requirements of art. 23 apply to national investment funds.

(3) The process of evaluation of assets and liabilities of a national investment fund shall be documented in a way, which allows to accurately determine the applied methods for evaluation, including of assets acquired by leverage.

Art. 162. (New – SG, issue 63 of 2016) (1) Calculation of the net asset value of a national investment fund is performed by the management company, by the manager of alternative investment funds, which manages a national investment fund, or by the depositary applying accordingly art. 21, par. 2-7 of CISOUCIA.

(2) The depositary of a national investment fund of open type exercises control over the calculation of net asset value, where this calculation is not assigned to it, applying accordingly art. 24, par. 2.

(3) Calculation of net asset value under par. 1 may also be performed by a third person accordingly in compliance with the provisions of art. 106, par. 1-2, and 5-6, or art. 222 of CISOUCIA.

(4) Persons under par. 1-3 must comply with the rules for portfolio evaluation and establishing the net asset value of the national investment fund.

Art. 163. (New – SG, issue 63 of 2016) (1) The rules for evaluation of the portfolio and establishing the net asset value of the national investment fund include the policies and procedures for evaluation of the fund's net asset value, which must encompass all significant aspects of the process of evaluation and control with regard to this process. The rules under sentence one ensure performing a stable, transparent, understandable and accordingly documented evaluation process.

(2) The evaluation policies and procedures establish the methods of evaluation used for each asset type, in which the national investment fund may invest in accordance with the statute, respectively its rules. The national investment fund cannot invest in a specific type of asset for the first time, if it doesn't have a previously established method for evaluation of this asset type.

(3) The rules under par. 1 stipulate performing a periodic review of policies and procedures, including the evaluation methodologies. Review is performed at least once within one calendar year and before the national investment fund begins applying a new investment strategy or before it acquires a new asset type, which is not included in the current evaluation policy.

(4) The rules under par. 1 indicate the manner of performing a change of policies and procedures for evaluation and the cases where this is suitable. Suggestions for changes in policies and procedures are presented to the senior management, who review and approve each change.

(5) Provisions of art. 25-33 and 35 apply respectively to changes in the procedure and manner of evaluation of a national investment fund's assets and liabilities.

Art. 164. (New – SG, issue 63 of 2016) (1) The national investment fund of open type determines the issue value and redemption price for its units at least twice a month at regular time intervals.

(2) Information under par. 1 shall be presented to the commission and published in a way established in the prospectus, within the period under art. 64, par. 1 of CISOUCIA. Art. 77 applies to the content of disclosed information.

(3) The national investment fund of open type, the units of which are admitted to trading with corresponding application of chapter three "a" of CISOUCIA, complies with all provisions of CISOUCIA and the present ordinance applicable to the activity of exchange-traded funds.

Art. 165. (New – SG, issue 63 of 2016) (1) A national investment fund invests in liquid financial instruments without limitation to their type and other liquid financial assets under art. 186 of CISOUCIA, maintaining a structure of assets and liabilities, which allows it to meet its liabilities.

(2) A national investment fund of open type must constantly have at its disposal short-term liquid assets for implementation of obligations for redemption of units/shares.

(3) A national investment fund of open type adopts rules for maintaining and management of liquidity corresponding to the size, structure, and nature of the fund.

(4) Rules for liquidity under par. 3 correspond to the fund's investment strategy, the liquidity profile, and the policy for redemption of shares/units. These should include the main requirements for liquidity, application of which is to correspond to the size of liquidity risk the corresponding national investment fund is exposed to, the scale and complexity of the process of liquidation or sale of assets, and obligations for redemption.

(5) Art. 11, par. 1, p. 1, 2, and 5-7, and par. 2, art. 13, par. 1 apply to the requirements for liquidity of financial instruments national investment funds of open type invest in.

Art. 166. (New – SG, issue 63 of 2016) (1) The management company, the manager of alternative investment funds, which manages a national investment fund, respectively the national investment company under art. 173, par. 3 of CISOUCIA, adopts and applies suitable internal rules for risk management with the aim of continuous monitoring and evaluation of the risk of each item in the fund's portfolio.

(2) Risk management rules include the necessary procedures allowing at any time an evaluation to be made of the national investment funds rate of exposure to market risk, liquidity risk, and counterparty risk, as well as all other risks, including operating risks, which may be

significant for the national investment fund.

(3) Measures, processes, and techniques in the rules for risk management must be in accordance with the nature, scale, and complexity of the national investment fund's business activity, and corresponding to its risk profile.

(4) The national investment fund's risk management rules include at least the following elements:

a) techniques, instruments, and measures allowing the detection, measurement, management, and control at all times of risks its assets are or may be exposed to;

b) thresholds for each risk established in accordance with the national investment fund's nature, and justification of the manner, in which these correspond to the fund's risk profile and strategy;

c) techniques, instruments, and measures allowing evaluation and monitoring of liquidity risk for the national investment fund of open type, in usual and extraordinary circumstances, including by performing regular stress-tests;

d) distribution of responsibilities associated with risk management;

e) conditions, content, frequency of reporting by persons, to whom a permanent risk management function is assigned.

(5) The risk management function is performed by a risk management department or is delegated to a third party under the conditions of art. 106, par. 1-2, and 5-6, or art. 222 of CISOUCIA.

(6) With regard to the organisation and activity of the risk management department and the risk management policy, the provisions of art. 41, par. 2-4, art. 42, art. 43, par. 1, art. 44, par. 3, art. 45, 47, art. 48, par. 3 and 4, art. 49, par. 2-5 apply respectively.

(7) The management company, the manager of alternative investment funds, which manages a national investment fund, respectively the national investment company under art. 172, par. 3 of CISOUCIA, performs at least once a year evaluation, control, and recurring review of:

1. the adequacy and effectiveness of internal risk management rules;

2. the degree of compliance with risk management rules;

3. the adequacy and effectiveness of the measures taken to eliminate defects in the process of risk management.

(8) The recurring review, control, and evaluation under par. 7 are documented, indicating the date they are performed.

(9) Information under art. 43, par. 1 is distributed through the national investment fund's Internet page or that of the entity managing it, within 30 days of performing the review under par. 7.

(10) Crossing of each threshold under art. 44, par. 3, p. 4 is documented by the risk management business unit and is reported in order to take corrective measures as provided for in the risk management rules.

(11) Limitations for concentration of the issuer under art. 187 of CISOUCIA for each national investment fund are calculated based on the underlying exposure arising through the use of derivative financial instruments according to the method of commitments.

Art. 167. (New – SG, issue 63 of 2016) (1) For issuing of a permit to a national investment fund of open type to use a loan, a request is submitted to the Deputy Chairperson, attaching respectively the data and documents under art. 53.

(2) The national investment fund under par. 1 may only use more than one loan if within the same period the total amount of loans does not exceed the amount indicated in art. 188, par. 2 of CISOUCIA.

(3) With regard to requirements for the use of a loan by a national investment fund of open type, art. 54, par. 2, art. 56, par. 1-3, art. 57 and 58 apply respectively.

Art. 168. (New – SG, issue 63 of 2016) (1) For issuing of a permit to a national investment fund of closed type to use a loan, a request is submitted to the Deputy Chairperson, attaching the following:

1. minutes of the meeting of the competent body according to the statute, respectively the rules of the fund, at which the decision to use a loan and its amount is taken;

2. justification of the loan, including information on the condition of the fund's portfolio with current evaluation under the rules for portfolio evaluation and establishing the net asset value as of the moment of submission of the request;

3. plan of the national investment fund's activity, containing at least the following data:

a) volume and structure of investments in the portfolio;

b) estimated financial results for the next 12-month period;

aa) volume and structure of income;

bb) volume and structure of expenses;

cc) estimated financial indicators with an analysis justifying expectations;

c) plan for repayment of the loan funds;

4. detailed information on collateral and guarantees;

5. financial report as of the last day of the month preceding the date of submission of the request;

6. draft of the loan contract and the repayment plan coordinated with the entity granting the loan.

(2) The national investment fund under par. 1 may only use more than one loan if within the same period the total amount of loans does not exceed the amount indicated in art. 188, par. 3 of CISOUCIA.

(3) With regard to requirements for the use of a loan by a national investment fund of closed type, art. 54, par. 2, art. 56, par. 1-2, art. 57, art. 58, par. 2 apply respectively.

(4) Funds from the compensation loan under art. 56 may be used to acquire the assets the fund may invest in.

Art. 169. (New – SG, issue 63 of 2016) (1) Public offering of shares or units of a national investment fund is permissible only after publishing of a prospectus.

(2) The prospectus of a national investment fund of open type contains at least the information under appendix No. 2, which is applicable to it. Those items of appendix No. 2, which are considered inapplicable for the specific national investment fund, are indicated in a table on the last page of the prospectus.

Art. 170. (New – SG, issue 63 of 2016) (1) The national investment fund keeps daily accounting of the activity regulated in the law and its by-laws, and also in the company's internal acts.

(2) With regard to maintaining and storing of accountancy, provisions of art. 110 are applied respectively.

Art. 171. (New – SG, issue 63 of 2016) (1) The manager of alternative investment funds, which manages a national investment fund, respectively the national investment company, adopts, applies, and maintains rules for the private transactions, stipulating the procedure and conditions for effecting private transactions with financial instruments of each person working under a contract for the company and involved in activities, which may cause a conflict of interests, or having access to internal information or other confidential information associated with a national investment fund or with transactions with such fund, in accordance with the activity and functions performed by him/her on behalf of the national investment company, respectively the manager of alternative investment funds, which manages a national investment fund.

(2) Art. 125 applies respectively to rules for private transactions.

Art. 172. (New – SG, issue 63 of 2016) (1) The manager of alternative investment funds, which manages a national investment fund, respectively the national investment company under art. 172, par. 3 of CISOUCIA, adopts rules for avoiding of conflict of interests, which may arise

in the course of providing services and activities and the existence of which may damage the national investment fund's interests.

(2) Rules under par. 1 envisage rules for:

1. avoiding of situations of conflict of interests in accordance with the size and organisation structure of the company and the nature, scale, and complexity of performed activity;

2. sample list of circumstances which may lead to a conflict of interests causing a risk of damage to the interests of a national investment fund's client or the fund itself with regard to every specific service or activity performed by the latter;

3. procedures and measures for treating of conflicts of interests.

(3) With regard to rules for prevention of conflict of interests, the provisions of chapter six, section IV apply accordingly.

Art. 173. (New – SG, issue 63 of 2016) (1) The national investment fund of open type presents to the commission and the public reports under art. 191, par. 2 of CISOUCIA. With regard to the content of financial reports, the provisions of art. 73, 75, and 76 apply accordingly.

(2) The national investment fund presents to the commission, up to the 10th day of the month following the reporting month, a monthly balance and the information under art. 72, par. 2. The provision of art. 72, par. 3 applies accordingly.

(3) The Commission verifies regularity and completeness of presented information under par. 1 and 2, whereas in the event that gaps and inconsistencies are discovered, by the Deputy Chairperson's demand the national investment fund must rectify these within a sufficient period determined by the Deputy Chairperson. The Deputy Chairperson makes a decision under sentence one in the manner of art. 265 of CISOUCIA.

(4) The national investment fund of open type discloses to the public information under par. 1 in the manner established in the prospectus and the document with key information. Information in the key investor information document is disclosed in accordance with Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website (OJ, L 176/1 of 10 July 2010).

(5) When disclosing information under art. 191, par. 1 of CISOUCIA, the national investment fund of closed type complies with the requirements of Ordinance No. 2.

Art. 174. (New – SG, issue 63 of 2016) (1) With regard to marketing messages and other information for admission of shares or units of the national investment fund of closed type to trading on a regulated market, notification of the result of the first public offering and the information disclosed subsequently, the requirements of Ordinance No. 2 apply.

(2) The requirements of art. 82 apply with regard to the content of marketing messages of

the national investment fund of open type.

(3) Marketing messages must expressly indicate that the national investment fund is not a collective investment scheme within the meaning of CISOUCIA.

Section II

(New – SG, issue 63 of 2016)

Restructuring and winding up a national investment fund and a manager of alternative investment funds

Art. 175. (New – SG, issue 63 of 2016) (1) A manager of alternative investment funds may be restructured by merger, takeover, split or spinoff under the condition that after restructuring each of the receiving or new managers of alternative investment funds is in compliance with the requirements of CISOUCIA.

(2) For issuing of a permit for restructuring under par. 1, a request must be submitted to the commission, to which the following data and documents are attached:

1. certified transcript of the decision of the competent body of restructuring companies according to statute acts, respectively of the restructuring company, for effecting the restructuring, approval of the contract or plan for restructuring under p. 3, as well as all necessary amendments and supplements to the statute acts in association with restructuring.

2. a written report of the management bodies of the restructuring and receiving companies containing detailed legal and economic justification of the contract or plan for restructuring and especially of the ratio of exchange, and in case of split and spinoff – of the criterion for allocation of shares, data on the assigned verifier under art. 262l of the CA, on the authorized depositary under art. 262x of CA, as well as difficulties in evaluation, if any;

3. contract or plan for restructuring in the form under art. 262f of the CA and with the content under art. 262g of the CA, expressly indicating the distribution and management of alternative investment funds managed by the company;

4. a financial report and a report of capital adequacy and liquidity of the restructuring company/ies as of the last day of the month preceding the date of the contract or plan for restructuring; the commission may require from the manager/s of alternative investment funds additional information and clarification on the reports, as well as presenting an additional financial report and a report of capital adequacy as of a given date, including a draft;

5. information on changes which have occurred in the property rights and liabilities under art. 262n, par. 4 of CA, if any;

6. the trustee's report under art. 262m of the CA, respectively also under art. 262u of the CA;

7. drafts for a new statute of each of the newly founded companies, respectively for amendments and supplements to the statute of each of the restructuring and receiving companies.

Art. 176. (New – SG, issue 63 of 2016) (1) The commission issues or refuses to issue a permit within one month of receiving the request, and where additional information and documents have been demanded – of their receiving.

(2) The commission refuses to give approval if restructuring is not in compliance with legal requirements, the requesting party has presented incorrect data or documents with incorrect content, or the interests of the unit-holders of the managed alternative investment funds or the shareholders in the restructuring or receiving manager of alternative investment funds are not secured.

(3) The commission, simultaneously with issuing of a permit for restructuring, issues also a license to perform the requested activities and services under art. 198 of CISOUCIA to the newly founded or the receiving company, if the license already issued to the receiving company is amended as a result of restructuring.

(4) The commission notifies the Registry agency about the issued permit for restructuring within a three-day period.

Art. 177. (New – SG, issue 63 of 2016) (1) For a permit to be issued for a national investment company of closed type to be restructured into a national investment company of open type, a request is submitted, to which the following are attached:

1. minutes of the general assembly of shareholders of the national investment company, at which the decision for its restructuring was taken, with a certified transcript of the decision of the competent body under the company's statute acts on adopting amendments in the company's internal acts with regard to restructuring;

2. circumstances and justification of the offered restructuring;

3. plan for restructuring, indicating in detail the sequence of actions to be performed with regard to restructuring, and the manner, in which shareholders who have not accepted such restructuring by expressly voting against, will be reimbursed;

4. prospectus and key investor information document of the national investment company of open type;

5. additional agreements with the management company, respectively the manager of alternative investment funds, and with the depositary of the restructuring company, reflecting the change in the organisation form of the national investment fund of closed type into one of open type;

6. the statute of the national investment company of open type;

7. rules for evaluation of the portfolio and establishing the net asset value;

8. rules for risk management**;**

9. data on the name (first name, given name, surname), Personal N, address registration and number of the certificate issued by the commission to the person under art. 12 of FIMA, as well as a contract with this person;

10. expected effect of the suggested restructuring on the shareholders' rights;

(2) The commission takes a decision on the request within 20 business days of its receiving, and where additional information and documents have been requested – within 20 business days of their receiving. Art. 100, par. 3-5 applies respectively.

(3) The commission sends the permit for restructuring of the national investment company to the Registry agency.

(4) The national investment company notifies the commission about the entry of the restructuring at the Commercial register within a 3-day period of recording.

(5) The commission issues a new license to the company within a 14-day period of notification under par. 4 and removes the company as a public company from the register kept by the FSC.

Art. 178. (New – SG, issue 63 of 2016) (1) For a permit to be issued for a national investment company of open type to be restructured into a national investment company of closed type, a request is submitted, to which the following are attached:

1. minutes of the general assembly of shareholders of the national investment company, at which the decision for its restructuring was taken, with a certified transcript of the competent body under the company's statute acts on adopting changes in the company's internal acts with regard to restructuring;

2. data on the capital accrued by the company up to the date, on which the company has stopped issuing shares, and proof that this capital is in compliance with the requirement of art. 174, par. 1 of CISOUCIA;

3. circumstances and justification of the offered restructuring;

4. plan for restructuring, indicating in detail the sequence of actions to be performed with regard to restructuring, and the manner, in which shareholders who have not accepted such restructuring by expressly voting against, will be reimbursed;

5. the names and data on entities holding directly or indirectly 10 or over 10 per cent of shares with a right to vote in the requesting party, or may exercise control over it, and also on the number of votes held by them as of the date, on which the company has stopped issuing shares;

6. prospectus of the national investment company of closed type;

7. additional agreements with the management company, respectively the manager of alternative investment funds, and with the depositary of the restructuring company, reflecting the change in the organisation form of the national investment fund of open type into one of closed type;

8. data on the name (first name, given name, surname), Personal N, address registration and number of the certificate issued by the commission to the person under art. 12 of FIMA, as well as the contract with this person, if the company will not be managed by a management company or a manager of alternative investment funds;

9. the statute of the national investment company of closed type;

10. rules for evaluation of the portfolio and establishing the net asset value;

11. rules for risk management**;**

12. expected effect of the suggested restructuring on the shareholders' rights;

(2) The commission takes a decision on the request within 20 business days of its receiving, and where additional information and documents have been requested – within 20 business days of their receiving. Art. 100, par. 3-5 applies respectively.

(3) The commission sends the permit for restructuring of the national investment company to the Registry agency.

(4) The national investment company notifies the commission about the entry of the restructuring at the Commercial register within a 3-day period of recording.

(5) The commission issues a new license to the company within a 14-day period of notification under par. 4 and enters the company as a public company in the register kept by the FSC.

Art. 179. (New – SG, issue 63 of 2016) (1) In the event of restructuring by acquisition, one or more national investment funds (restructuring funds) are wound up without liquidation and they transfer all their assets and liabilities to another existing national investment fund (receiving fund) against provision of units/ shares of the receiving fund to unit-holders/shareholders of the restructuring funds, if applicable – also of a cash sum amounting to no more than 10 per cent of the value of units thus provided, established based on net asset value.

(2) In the event of restructuring by merger, two or more national investment funds (restructuring funds) are wound up without liquidation and they transfer all their assets and liabilities to another national investment fund founded by them (newly founded fund) against provision of units/ shares of the newly founded fund to unit-holders/shareholders of the restructuring funds, if applicable – also of a cash sum amounting to no more than 10 per cent of the value of units/shares thus provided, established based on net asset value.

(3) In the event of restructuring by split, one national investment fund (restructuring fund)

is wound up without liquidation and they transfer to other founded national investment funds (receiving funds) corresponding parts of its assets and liabilities against provision of units/shares of the newly founded funds to unit-holders/shareholders of the restructuring fund, if applicable – also of a cash sum amounting to no more than 10 per cent of the value of units/shares thus provided, established based on net asset value.

(4) In the event of restructuring by spinoff, one national investment fund (restructuring fund), without winding up transfers to one or more founded national investment funds (receiving funds) a part of its assets and liabilities against provision of unites/shares of the newly founded funds to unit-holders/shareholders of the restructuring fund, if applicable – also of a cash sum amounting to no more than 10 per cent of the value of units/shares thus provided, established based on net asset value.

Art. 180. (New – SG, issue 63 of 2016) (1) Restructuring of a national investment fund of closed type is performed with corresponding application of provisions of section II of Chapter eight of the Public offering of securities act, whereas documents under art. 124, par. 1 of the POSA are approved by the commission within the procedure for issuing of a permit for restructuring. The request is reviewed within the term under art. 144, par. 2 of CISOUCIA.

(2) The commission sends the permit for restructuring of the national investment fund of closed type to the Registry agency.

(3) The national investment fund notifies the commission about the entry of the restructuring into the registers kept by the Registry agency within a 3-day period of recording.

(4) The commission issues a new license, respectively permit for the newly founded funds within a 14-day period of notification under par. 3 and enters the newly founded funds in the register kept by the FSC.

Art. 181. (New – SG, issue 63 of 2016) (1) For a permit to be issued for restructuring by merger, acquisition, split, or spinoff of a national investment fund of open type, a request is submitted, to which the following are attached:

1. minutes of the general assembly of shareholders of the investment company, respectively the management company or the manager of alternative investment funds, at which the decision for restructuring of the fund was taken, and a certified transcript of the competent body's decision to adopt changes in the fund's internal acts with regard to restructuring;

2. plan for restructuring of the national investment fund approved by the competent authority, for the restructuring fund (in the event of split and spinoff), or a restructuring contract, approved by the competent authorities, for the restructuring funds (in the event of merger and acquisition), containing:

a) justification of restructuring;

b) expected effect of the offered restructuring on unit-holders/shareholders of restructuring funds, and in the cases of restructuring by acquisition – also of the receiving fund;

c) date of calculation of the ratio of exchange, the method for its calculation and the adopted criteria for evaluation of assets and liabilities as of this date;

d) the rules under which transfer of assets and exchange of units/shares shall be effected;

3. current prospectus and key investor information document of the receiving or newly founded fund;

4. declaration by each of the depositaries of the restructuring funds that they have verified compliance of the restructuring with regulatory requirements;

5. financial report of the restructuring funds as of the date of the decision for restructuring, audited by a registered auditor;

6. information on restructuring, which will be provided to unit-holders/shareholders of the restructuring and receiving fund, including data about the period, within which unit-holders/shareholders who do not agree to restructuring may request redemption of the unit/shares they hold without any additional fees;

7. where restructuring creates one or more national investment funds:

a) the rules and/or statute of the newly founded funds;

b) contracts between the national investment company and the management company, respectively the manager of alternative investment funds, and the contract with the depositary;

c) data and documents under art. 10 of CISOUCIA about the members of the board of directors of the national investment company;

d) other necessary documents for issuing of a license to a newly founded national investment fund of open type under art. 38a and 38b of Ordinance No. 11.

(2) The commission sends the permit for restructuring of the national investment fund of open type to the Registry agency.

(3) The national investment fund notifies the commission about the entry of the restructuring into the registers kept by the Registry agency within a 3-day period of recording.

(4) The commission issues a new license, respectively permit, within a 14-day period of notification under par. 3, and enters the newly founded funds in the register kept by the FSC.

Art. 182. (New – SG, issue 63 of 2016) (1) A national investment company of closed type is wound up:

1. after it is removed as a public company in the manner of art. 119 of the POSA;

2. if its shares are not admitted to trading on a regulated market within a one-year term of

its entering into the Commercial register;

3. where other grounds indicated in its statute arise.

(2) The national investment company notifies the commission about the arising of circumstances under par. 1, p. 2 and 3 within a 7-day period of the corresponding circumstance arising.

(3) The commission notifies the Registry agency about the arising of grounds for winding up of the national investment company within a 7-day period of taking the decision under par. 1, p.1, respectively notification under par. 2. The registry agency appoints a liquidator to the company.

Art. 183. (New – SG, issue 63 of 2016) (1) A national investment company of closed type may be wound up:

1. as a result of restructuring;

2. after withdrawal of the license under art. 177, par. 1 of CISOUCIA;

3. by decision of the general assembly of shareholders of the national investment company of closed type to refuse the issued license under art. 177, par. 1 of CISOUCIA;

4. in the event of withdrawal of the license, winding up or insolvency of the management company or the manager of alternative investment funds, which manages the national investment company.

(2) Together with withdrawal of the license of the national investment company of closed type, the commission writes the company off the register under art. 30, par. 1, p. 3 of POSA. If, within a two-month period of withdrawal of the license, the company does not present at the FSC minutes of the general assembly of the company's shareholders, at which a decision is made for it to continue existing as a joint-stock company under the Commercial act, the commission notifies the Registry agency about the decision to withdraw the license, in order for a liquidator to be assigned to the company.

(3) The general assembly of shareholders of the national investment company of closed type may take a decision to refuse the issued license under art. 177, par. 1 of CISOUCIA; The decision must specifically state whether the company will continue to exist with another subject of activity and whether it will keep its status as a public company.

(4) Within a 7-day period from the decision under par. 3, the company presents to the commission the minutes of the general assembly. If a decision is taken to wind up the company, the commission notifies the Registry agency about appointment of a liquidator.

(5) In the event of withdrawal of the license, winding up or insolvency of the management company or the manager of alternative investment funds, which manages the national investment company, it may:

1. take a decision to be managed by the company's board of directors;

2. conclude a contract with another management company or a manager of alternative investment funds;

3. continue existing as a joint-stock company under the Commercial act;

4. take a decision to liquidate.

(6) In the case under par. 5, p. 1 and 2, the company presents at the FSC a contract with a person under art. 12 of the Financial instrument markets act, respectively with a management company or manager of alternative investment funds, within a 3-day period of its conclusion. If the company does not conclude such contract within a one-month period of the decision under par. 5, p. 1 and 2, or takes a decision to liquidate, the commission withdraws the license issued to it and notifies the Registry agency about appointing a liquidator.

(7) In the case under par. 5, p. 3, the commission writes off the national investment company from the register under art. 30, par. 1, p. 3 of the FSCA and notifies the Registry agency about this.

Art. 184. (New – SG, issue 63 of 2016) (1) A national mutual fund of closed type is wound up:

1. after withdrawal of the permit for organisation and management of the fund under art. 177, par. 2 of CISOUCIA;

2. if its units are not admitted to trading on a regulated market within a one-year term of its entering into the Commercial register;

3. by decision of the management company or the manager of alternative investment funds to refuse the issued permit to organise and manage the national mutual fund of closed type;

4. where other grounds indicated in its rules arise.

(2) The national mutual fund notifies the commission about the arising of circumstances under par. 1, p. 2-4 within a 7-day period of the corresponding circumstance arising.

(3) The commission notifies the Registry agency about the arising of grounds for winding up of the fund within a 7-day period of taking the decision under par. 1, p.1, respectively notification under par. 2. The registry agency appoints a liquidator to the fund.

(4) A national mutual fund of closed type may be wound up:

1. as a result of restructuring;

2. after withdrawal of the license, the management company or the manager of alternative

investment funds winding or declaring insolvency, if the management of the fund is not taken over by another management company or manager of alternative investment funds, with the corresponding application of art. 109.

(5) If management of the national mutual fund of closed type is not taken over in the manner of art. 109, par. 3 applies.

Art. 185. (New – SG, issue 63 of 2016) (1) A national mutual fund of open type is wound up:

1. after withdrawal of the permit for organisation and management of the fund under art. 177, par. 2 of CISOUCIA;

2. by decision of the management company or the manager of alternative investment funds to refuse the issued permit to organise and manage the national mutual fund of open type;

3. where other grounds indicated in its rules arise.

(2) The national mutual fund notifies the commission about the arising of circumstances under par. 1, p. 2 and 3 within a 7-day period of the corresponding circumstance arising.

(3) The commission notifies the Registry agency about the arising of grounds for winding up of the fund within a 7-day period of taking the decision under par. 1, p.1, respectively notification under par. 2. The registry agency appoints a liquidator to the fund.

(4) A national mutual fund of open type may be wound up:

1. as a result of restructuring;

2. after withdrawal of the license, the management company or the manager of alternative investment funds winding up or declaring insolvency, if the management of the fund is not taken over by another management company or manager of alternative investment funds, with the corresponding application of art. 109.

(5) If management of the national mutual fund of open type is not taken over in the manner of art. 109, par. 3 applies.

Art. 186. (New – SG, issue 63 of 2016) (1) A national investment company of open type is wound up:

1. after withdrawal of the company's license under art. 177, par. 1 of CISOUCIA;

2. by decision of the management company or the manager of alternative investment funds to refuse the issued permit under art. 177, par. 1 of CISOUCIA of the national investment company of open type;

3. by decision of the general assembly of the national investment company of open type to refuse the issued license under art. 177, par. 1 of CISOUCIA;

4. where other grounds indicated in its statute arise.

(2) The national investment company notifies the commission about the arising of circumstances under par. 1, p. 2-4 within a 7-day period of the corresponding circumstance arising.

(3) The commission notifies the Registry agency about the arising of grounds for winding up of the company within a 7-day period of taking the decision under par. 1, p.1, respectively notification under par. 2. The registry agency appoints a liquidator to the company.

(4) The national investment company of open type may be wound up:

1. as a result of restructuring;

2. after withdrawal of the license, the management company or the manager of alternative investment funds winding up or declaring insolvency, if the management of the company is not taken over by another management company or manager of alternative investment funds, with the corresponding application of art. 109.

(5) If management of the national management company of open type is not taken over in the manner of art. 109, par. 3 applies.

Art. 187. (New – SG, issue 63 of 2016) Under the condition that applicable law does not stipulate otherwise, with regard to the manner of calling and holding a general assembly of shareholders of a national investment company of open type and distribution of a dividend, the provisions of Chapter eight of POSA apply. The general assembly is called by the company's board of directors.

Chapter seven "b"

(New – SG, issue 63 of 2016)

REQUIREMENTS FOR THE ACTIVITY OF MANAGERS OF ALTERNATIVE INVESTMENT FUNDS AND THE FUNDS MANAGED BY THEM

Art. 188. (New – SG, issue 63 of 2016) The manager of alternative investment funds provides to the commission information under CISOUCIA and Delegated regulation (EU) No. 231/2013.

Art. 189. (New – SG, issue 63 of 2016) (1) The person registered under art. 214 of CISOUCIA informs the commission within a 7-day period of the corresponding circumstance arising, about:

1. change in the name, legal and organisational form, country of licensing or registration, respectively the country where the master alternative investment fund is established, and the address of the master alternative investment fund in the cases of a feeder alternative investment

fund.

2. change in the name, country where the seat or branch of the depositary is situated, or the address of the depositary, with which a contract for depositary services is concluded on behalf of the managed alternative investment fund;

3. decision of replacement of the depositary under p. 2;

4. change of name, UIC, seat and management address of the company, through which the manager indirectly manages alternative investment funds;

5. change of the actual owners of an alternative investment fund;

6. change in the members of management and control bodies of an alternative investment fund;

7. authorisation of a person who may conclude independently or together with another person transactions at the expense of the alternative investment fund;

8. a decision made about delegation of functions by the entity registered under art. 214 of CISOUCIA to a third person;

9. arising of other circumstances subject to recording in the commission's register, respectively changes to these circumstances.

(2) The entity registered under art. 214 CISOUCIA managing a national investment fund, within a 7-day period of arising of the corresponding circumstance additionally notifies the commission about:

1. a decision to replace the entity under art. 12 of FIMA, with whom the national investment company of closed type has concluded a contract for investment consulting;

2. change in the manner of representing of the national investment company;

3. decision for change of the investment intermediary, through whom most orders at the expense of the national investment fund are performed;

4. a decision for temporary suspension of redemption of shares or units of a national investment fund of open type;

5. the decision for resuming of redemption;

6. decision for change of the amount of expenses for issuing, respectively redemption;

7. change in the circumstances reflected in documents serving as grounds for issuing of a license, respectively a permit for organisation and management of a national investment fund;

8. starting an insolvency procedure;

9. taking a decision for winding up;

10. arising of other circumstances subject to recording in the commission's register, respectively changes to these circumstances.

Art. 190. (New – SG, issue 63 of 2016) (1) The manager of alternative investment funds presents at the commission an annual report within a term of 90 days of completion of the financial year.

(2) The annual report includes:

1. audited reporting forms under IAS, an auditor's report and clarification notes and announcements allowing the investors to understand the effect of specific operations, events, and their influence on the financial standing and financial results of the activity of the manager of alternative investment funds;

2. report of capital adequacy and liquidity;

3. additional information regarding:

a) the state and changes occurring over the last year in the shareholding structure, management bodies, delegated functions, with a detailed description of the persons, to whom functions are delegated, and control performed by the manager of alternative investment funds with regard to these entities;

b) the managed alternative investment funds, the countries, on the territory of which they are established, the investment policy and strategy with regard to each managed alternative investment fund, the policy of the manager of alternative investment funds for the use of leverage, the risk profile and other characteristics of alternative investment funds it manages;

c) implementation of the policy for remuneration applicable to the manager of alternative investment funds, paid remuneration by employee categories, including to those affecting risk and risk management of the manager of alternative investment funds, with a breakdown by fixed and variable remuneration paid by the manager of alternative investment funds, and also deferred payments;

d) the amount of received remuneration from each managed alternative investment fund;

e) other significant information characterizing the activity of the manager of alternative investment funds.

(3) The manager of alternative investment funds must present at the commission, up to the 10th day of the month following the quarter, an accounting balance of income and expenses as of the last date of each quarter in the form of reports according to a standard form established by the

Deputy Chairperson, and also a quarterly report of capital adequacy and liquidity.

(4) By request of the Deputy Chairperson, the manager of alternative investment funds presents additional information and clarification regarding the reports, including analytical reports for each item.

Art. 191. (New – SG, issue 63 of 2016) (1) The legal representative of an manager of alternative investment funds with seat in a third country, for which the Republic of Bulgaria is a reference country, keeps a register of incoming and outgoing correspondence, which it processes individually for each fund it manages.

(2) The legal representative under par. 1 must, by the end of the working day following the day of arising of the corresponding circumstance, notify the commission and the entity, to which it is a representative, in the event that it is impossible for it to perform its obligations under art. 223 of CISOUCIA.

(3) The legal representative under par. 1 must comply with the requirements of art. 93 of CISOUCIA. As proof of the qualification and experience of a legal representative under par. 1, who is a private person, the following are presented to the commission:

1. a notarised copy of a higher education diploma; for diplomas, which are not issued by higher education institutions in the Republic of Bulgaria, a certificate of recognition of the diploma issued by the National center for information and documentation is presented;

2. the person's Curriculum Vitae and documents proving occupied positions;

3. a declaration of the circumstances under art. 93, par. 1, p. 2-10 of CISOUCIA;

(4) If the entity under par. 1 is a legal entity, the documents under par. 3 are presented for its representatives.

(5) Information provided by the legal representative under par. 1 to investors is in the Bulgarian language. Documents and information may be provided in another language with the express written consent of the investor, to whom these are provided.

Art. 192. (New – SG, issue 63 of 2016) The manager of alternative investment funds, within the term under art. 227, par. 2 of CISOUCIA, notifies the commission about:

1. change in the manner of representation;

2. starting an insolvency procedure;

3. taking a decision for winding up;

4. changes in the circumstances under art. 189;

5. changes in the information under art. 237 of CISOUCIA, which the manager must provide to investors for each alternative investment fund managed by it;

6. arising of other circumstances subject to recording in the commission's register, respectively changes to these circumstances.

Art. 193. (New – SG, issue 63 of 2016) (1) The methodology for evaluation of net asset value of an alternative investment fund managed by the manager of alternative investment funds is specified for each asset owned by the fund, within the rules under art. 232, par. 1 of CISOUCIA.

(2) Information under art. 235-237 of CISOUCIA is provided in the Bulgarian language. Information under art. 237 of CISOUCIA may be provided to investors also in compliance with the requirements of art. 191, par. 5, sentence two.

Art. 194. (New – SG, issue 63 of 2016) For the issuing of a permit under art. 251 of CISOUCIA, the following are attached to the application:

- current data and documents under art. 235-237 of CISOUCIA in the Bulgarian language;
- current data and documents under art. 201, par. 2, p. 1 of CISOUCIA in the Bulgarian language;
- other documents proving compliance with the requirements of art. 251 of CISOUCIA.

Art. 195. (New – SG, issue 63 of 2016) (1) A manager of alternative investment funds under art. 195, par. 2, p. 1 of CISOUCIA, providing the services under art. 198, par. 5 of CISOUCIA adopts, applies, and maintains an effective and transparent policy in accordance with chapter seven "c" for the reasonable and fast processing of complaints submitted by investors.

(2) The manager under par. 1 must document each submitted complaint and the measures taken with regard to it.

(3) Investors have the right to submit complaints without paying a fee. Information on the policy under par. 1 is provided to investors free of charge.

(4) The policy under par. 1 is adopted and amended by senior management.

Chapter seven "c"
(New – SG, issue 63 of 2016)
REVIEWING OF COMPLAINTS

Art. 196. (New – SG, issue 63 of 2016) (1) The management company or the manager of alternative investment funds creates and maintains an organisation for processing of complaints, which ensures the fair review of each case and guarantees identification and avoiding of conflicts of interests.

(2) The management company or the manager of alternative investment funds must register, review, and reply to each complaint without any unnecessary delay, but no later than 10 working days from the date of its receiving. Where within the term under sentence one a reply cannot be sent, the management company or the manager of alternative investment funds notifies the complainant and the commission immediately about the reasons for delay and indicates a deadline for completion of verification and preparation of a reply.

(3) Complaints received at the management company or the manager of alternative investment funds are entered in a special journal of complaints on the day of their receiving in compliance with the requirements of art. 149, par. 2. The management company or the manager of alternative investment funds establishes the level of access to information when processing complaints under the requirements of art. 118 and 195.

Art. 197. (New – SG, issue 63 of 2016) The management company or the manager of alternative investment funds, within a 10-day term from the end of each quarter, during which a complaint has been received and/or reviewed, provides to the commission information about:

1. the date of receiving and unique number of the complaint;

2. the name/ title and identification number of the entity (Personal N/ UIC) submitting the complaint;

3. the name of the employee responsible for reviewing the complaint;

4. measures taken with regard to the complaint;

5. the date on which an reply to the complaint is sent, and manner of its sending;

6. the number of contacts made with regard to the submitted complaint;

7. a brief content of the complaint encompassing at least the type of service, complaint or request of the complainant and manner of receiving;

8. manner of communication with the complainant, through which information may be received presently regarding the progress or reviewing of the complaint.

Art. 198. (New – SG, issue 63 of 2016) (1) The management company or the manager of alternative investment funds, when processing the complaint:

1. collects and investigates all relevant proof and information with regard to the complaint;

2. keeps correspondence in a clear and understandable for both parties language.

(2) The reply to the complainant includes motives of the position of the management company or the manager of alternative investment funds with regard to the complaint, and information on the option to submit complaints before the commission and other state authorities, and also the forms of out-of-court review of disputes, which are available to the investor in the Republic of Bulgaria.

(3) The management company or the manager of alternative investment funds must analyze received complaints and take measures to resolve weaknesses in its operations detected based on the complaints, at least by continuously analysing information on reviewing of complaints, in order to detect and overcome repeating or systematic problems, and also potential legal and operating risks through:

1. analysis of every single case in order to detect common weaknesses in its operations;

2. evaluation whether detected weaknesses also affect other processes or offered products, including those, for which no complaints have been received.

Art. 199. (New – SG, issue 63 of 2016) Before concluding a contract, the management company or the manager of alternative investment funds must provide in an easily accessible manner the following information:

1. the manner of submission of complaints in accordance with the policy for processing of complaints and the Internet page it is published on;

2. the option to submit complaints before the commission and other state authorities, and also the forms of out-of-court reviewing of disputes available to the investor in the Republic of Bulgaria.

Chapter eight
ADMINISTRATIVE AND PENAL RESPONSIBILITY

Art. 200. (Previously text of art. 173, amended – SG, issue 63 of 2016) (1) The persons who have committed violations of the ordinance, and also persons who have permitted such violations, are punished under art. 273 of CISOUCIA.

(2) Acts for detected violations of the ordinance are drawn up by officials authorised by the Deputy Chairperson, and penal decisions are issued by the Deputy Chairperson.

(3) Detection of violations, issuing, appealing and effecting the penal decisions is done in the order of the Administrative violations and penalties act.

SUPPLEMENTARY PROVISIONS

§ 1. Within the meaning of the ordinance:

1. An "Active market" of financial instruments is a market, to which the management company has ensured access and complies with the following requirements:

a) pricing information on financial instruments is easily accessible and regularly available from a system for pricing information, and comes from actual and regularly concluded fair transactions;

b) the price is formed between a willing buyer and a willing seller in a fair transaction.

2. "Senior management" is the person or persons who actually manage the management company's activity.

3. "Person or authority performing supervisory functions" is a person or authority responsible for supervision of the activity of the management company's senior management, and also for evaluation and periodic review of the adequacy and effectiveness of the risk management process and of the policies, measures, and procedures, which the management company must comply with under CISOUCIA.

4. "Persons working under a contract for the management company" are:

a) members of the management body of the management company;

b) employee of a management company, as well as any other private person whose services are under the control of the management company and who are directly related to the collective portfolio management by the management company;

c) a private person directly involved in providing services to the management company under a contract for delegation to a third party of activities and functions for the management of the collective portfolio by the management company.

5. "Liquidity risk" is the risk arising from an item in the collective investment scheme's portfolio being impossible to sell, liquidate, or close with limited expenses within a suitable short term and compromising the collective investment scheme's ability to redeem its units ¬by their holders' request.

6. (Amended – SG, issue 63 of 2016) "Starting capital" of a management company and of managers of alternative investment funds is the capital under art. 3 or 4 of Ordinance No. 50 of 2016 on capital adequacy, the liquidity of investment intermediaries and performing supervision over compliance with them (SG, issue 52 of 2015).

7. "Operating risk" is the risk of loss which may arise for the collective investment scheme as a result of inadequate internal processes and omissions arising from human actions and systems of the management company, or external events, and includes legal and documentary risk, as well as risk associated with the procedures of trading, settlement, and evaluation performed on behalf of the collective investment scheme.

8. "Market risk" is the risk of loss which may arise for the collective investment scheme as a result of fluctuation in the market value of portfolio items due to changes in market variables, such as interest rates, foreign exchange rates, prices of shares and goods or the solvency of a given issuer.

9. "Restructuring of portfolio" is a significant change in the composition of the collective investment scheme's portfolio.

10. "Counterparty risk" is risk of loss which may arise for the collective investment scheme if the counterparty within the transaction does not perform its obligations before the final settlement of money flows for the transaction.

11. (Amended – SG, issue 63 of 2016) "Equity" of the management company and the managers of alternative investment funds is the equity under part 2, volume 1, chapter 1, and chapter 4 of Regulation (EU) No. 575/2013.

12. "Synthetic indicators of risk and reward" are synthetic indicators within the meaning or art. 8 of Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website.

13. "Current liabilities" is the sum of all short-term and the part of long-term liabilities payable within 1 year from the date, as of which the liquidity report is drawn up.

14. "Short-term receivables" are receivables with a term of receiving up to 1 year from the date, as of which the liquidity report is drawn up.

15. "Hedging transactions" are transactions concluded in order to reduce risk associated with the assets of the collective investment scheme and investment companies of closed type.

16. "Financial regulator" is an authority performing supervision of the activity of credit institutions, insurers, pension security companies and schemes or the participants in the capital market.

17. (New – SG, issue 63 of 2016) "Exchange-traded index tracking fund" is an exchange-traded fund which replicates or tracks the performance of an index.

18. (New – SG, issue 63 of 2016) "Tracking error" is volatility of the difference between the annual return of an exchange-traded index tracking fund and the annual return of the index itself.

19. (New – SG, issue 63 of 2016) "Exchange-traded leveraged index tracking fund" is an exchange-traded fund, the strategy of which includes an exposure with index leverage or exposure with leverage index.

20. (New – SG, issue 63 of 2016) "Complaint" in chapter seven "c" is a complaint from a person with regard to provided investment service or portfolio management by a management company or a manager of alternative investment funds.

§ 2. The ordinance provides measures for enforcement of the provisions of:

1. Commission Directive 2010/44/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards certain provisions concerning fund mergers, master-feeder UCITS structures and notification procedure;

2. Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company;

3. Commission Directive 2007/16/EC of 19 March 2007 implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards the clarification of certain definitions;

4. (New – SG, issue 63 of 2016) Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions

TRANSITIONAL AND FINAL PROVISIONS

§ 3. Until expiration of the deadline under § 6 of transitional and final provisions of CISOUCIA Real Estate owned by the investment company of open type is evaluated at the end of each financial year or in the event of change of over 5 per cent in the inflation index determined by the National statistics institute.

§ 4. The Ordinance comes into effect after its promulgation in the "State gazette", with the exception of art. 106, which comes into effect on 31 December 2013.

§ 5. The ordinance is issued based on § 7 of the transitional and final provisions of CISOUCIA and is accepted with Decision No. 129-N of 20 October 2011 of the Financial supervision commission.

ORDINANCE
for amendment and supplementing of Ordinance No. 44 of 2011

on the requirements for the activity of collective investment schemes, investment companies of closed type and management companies
(SG, issue 63 of 2016)

.....

§ 81. Within a 6-month term of entering into effect of the present ordinance, the management companies, national investment funds and managers of alternative investment funds must bring their activity in compliance with it and present to the commission all documents amended in association with this.

Appendix No 1

to art. 71 par. 1

(Amended and supplemented – State Gazette, issue 63 of 2016)

Minimum content of a collective investment scheme's prospectus

(Title amended – SG, issue 63 of 2016)

1. Information on the management company:
1.1. Information on the management company, including data on whether it is established in a Member State other than the Member State of origin of the collective investment scheme
1.2. Name or type, legal and organisational form, seat and headquarters, if different from the seat
1.3. Date of registration of the company. Indication of the term, for which it is founded, if it is limited.
1.4. If the company manages other collective investment schemes, indication of these schemes.
1.5. Names and positions in the company of members of administrative, management and supervision bodies. Information on their main activities outside the company, where these are of importance to it
1.6. Sum of the subscribed capital with indication of the deposited part

2. Information on the mutual fund
2.1. Name
2.2. Founding date of the mutual fund. Indication of the term, for which it is founded, if limited.
2.3. Indication of the place where the fund rules can be received, if these are not attached, and periodic reports.
2.4. Short description of the conditions of the tax system applicable to the mutual fund, which are of importance to unit-holders.
Indication of deductions at the source of income and positive capital differences paid by the mutual fund to unit-holders.
2.5. Accounting dates and income distribution dates.
2.6. Names of auditors responsible for verification and certification of

accounting information.
2.7. Information on the types and main features of units, and in particular:
- character of the right (property or other) represented by the unit;
- documents certifying the right of ownership, entry in a register or account;
- characteristics of units: named or bearer for; indication of possible denominations;
- indication of the voting rights of unit-holders, if any;
- circumstances, within which a decision may be taken to wind up the mutual fund, and manner of winding up with regard to, in particular, the rights of unit-holders.
2.8. Where present, indication of fund exchanges or markets, at which the units are quoted or traded
2.9. Conditions and manner of issuing and sale of units
2.10. Conditions and manner of redemption of units and circumstances, in which redemption may be suspended.
2.11. Description of the rules for establishing and use (distribution) of income.
2.12. Description of the mutual fund's investment aims, including its financial aims (e.g. growing capital or achieved income), investment policy (e.g. territory or sector specialisation), limitations of the investment policy and indication of the methods and instruments or authorisations for lending, which may be applied in the management of the mutual fund.
2.13. Rules for asset evaluations.
2.14. Determining the sale or issue price and price of redemption or repurchase of units and in particular:
- method and frequency of calculation of these prices;
- information about the fees associated with the sale or issuing and redemption or repayment of units;
- manners, places, and frequency of publishing of these prices.
2.15. Information about the manner, size, and calculation of remuneration payable by the mutual fund to the management company, the depositary or third person, and also reimbursement of expenses by the mutual fund to the management company, the depositary or third persons.
2.16. (New – SG, issue 63 of 2016) information on the collateral policy, including permissible types of collateral, necessary degree of securing and policy for foreseeing possible losses, and in case of monetary collateral – policy for reinvesting, including the risks associated with it.
2.17. (New – SG, issue 63 of 2016) information on the mutual fund's intention to use heightened limits for diversification,

indicated in art. 46, par. 1 of CISOUCIA, and a description of exceptional market conditions justifying such investment.

3. Information about the investment company
3.1. Name or type, legal and organisational form, seat and headquarters, if different from the seat
3.2. Date of registration of the company. Indication of the term, for which it is founded, if it is limited.
3.3. Indication of the place where the statute may be obtained, if it is not attached, and the periodic reports.
3.4. Short description of the conditions of the tax system applicable to the company, which are of importance to unit-holders. Indication of deductions at the source of income and positive capital differences paid out by the company to unit-holders.
3.5. Accounting dates and income distribution dates.
3.6. Names of auditors responsible for verification and certification of accounting information.
3.7. Names and positions in the company of members of administrative, management and supervision bodies. Information on their main activities outside the company, where these are of importance to it
3.8. Equity
3.9. Information about the types and main features of units, and in particular:
- documents certifying the right of ownership, entry in a register or account;
- characteristics of units: named or bearer form; indication of possible denominations;
- indication of the voting rights of unit-holders;
- circumstances, within which a decision may be taken to wind up the investment company, and manner of winding up with regard to, in particular, the rights of unit-holders.
3.10. Where present, indication of fund exchanges or markets, at which the units are quoted or traded.
3.11. Conditions and manner of issuing and sale of units.
3.12. Conditions and manner of redemption of units and circumstances, in which redemption or repurchase may be suspended.
3.13. Description of the rules for establishing and use (distribution) of income.
3.14. Description of the company's investment aims, including its financial aims (e.g. growing capital or achieved income), investment policy (e.g. territory or sector specialisation), limitations of the investment policy and indication of the methods and instruments or authorizations for lending, which may be applied in the management of the company.
3.15. Rules for asset evaluation.

3.16. Determining the sale or issue price and price of
redemption of units and in particular:
- method and frequency of calculation of these prices;
- information on the fees associated with the sale or issuing and
redemption or repayment of units;
- manners, places, and frequency of publishing of these prices.
3.17. Information on the manner, size, and calculation of
the remuneration payable by the company to its directors and to
members of its administrative and management bodies, to the depositary
or to third parties, and also reimbursement of expenses by the company
to its directors, depositary, or third parties.
3.18. (New – SG, issue 63 of 2016) information on the collateral policy,
including permissible types of collateral, necessary degree of
securing – policy for anticipation of possible losses, and in case of
monetary collateral, policy for reinvesting, including the risks
associated with it.
3.19. (New – SG, issue 63 of 2016) information on the investment company's intention
to use heightened limits for diversification,
indicated in art. 46, par. 1 of CISOUCIA, and a description of exceptional market
conditions justifying such investment.

4. (Amended – SG, issue 63 of 2016) Information about the depositary:
4.1. Identification data on the depositary and description of its
responsibilities and conflicts of interests, which may arise.
4.2. Description of all storage functions delegated by the depositary,
a list of the persons with delegated or re-delegated functions, and
the possible conflicts of interests which may arise from this delegation.
4.3. Declaration indicating that by investors' request
current information will be presented regarding p. 4.1 and 4.2.

5. Information on the consulting companies or external consultants
providing advice under contract and the remuneration of whom is paid
from the collective investment scheme's assets:
5.1. Name or type of the company or name of consultant.
5.2. Essential provisions of the contract with the management company or the
investment company, which may be of significance to
unit-holders, with the exception of provisions regarding
remuneration.
5.3. Other significant activities.

6. Information about the organisation of payments to the benefit of
unit-holders, redemption of units and
provision of information about the collective investment scheme.
This information must be provided in the Member State,

in which the collective investment scheme is established. Furthermore, where units are offered on the market of another Member State, this information is provided for this Member State in the prospectus published there.

7. Other information about investments:
7.1. Results of the collective investment scheme's activity (where applicable) for previous years - this information may be included in the prospectus or supplemented to it.
7.2. Profile of the type of investor the collective investment scheme is intended for.

8. Economic information:
8.1. (Amended – SG, issue 63 of 2016) Possible expenses or fees, other than the expenses indicated in p. 2.14, divided by whether they are paid by the unit-holder, collective investment scheme, or the management company.

Appendix No 2

to art. 169 par. 2

(New – SG, issue 63 of 2016)

Minimum content of the prospectus of a national investment fund of open type

A. Minimum information on the title page of the prospectus:

1. Express indication that the fund is not an undertaking within the meaning of Directive 2009/65/EC, respectively that it is not a collective investment scheme.

2. Information on the national mutual fund:

2.1. Name

2.2. Founding date of the fund. Indication of the time period it is founded for, if limited.

2.3. Indication of the place, where the fund's rules may be obtained, if these are not attached, and periodic reports.

3. Information about the national investment company:

3.1. Name, legal and organisational form, seat and headquarters, if different from the seat.

3.2. Date of registration of the company. Indication of the time period it is founded for, if limited.

3.3. Indication of the place where the statute may be obtained, if it is not attached, and periodic reports.

4. Information about the management company:

4.1. Name or type, legal and organisational form, seat and headquarters, if different from the seat.

4.2. If the company manages other alternative investment funds or collective investment schemes, these should be indicated.

5. Information about the manager of alternative investment funds:

5.1. Name or type, legal and organisational form, seat and headquarters, if different from the seat.

5.2. If the company manages other alternative investment funds, these should be indicated.

6. Information about the depositary:

6.1. Name or type, legal and organisational form, seat and headquarters, if different from the seat.

7. Information about the investment consultant: full name of the person, number of certificate issued by the FSC.

8. Date, as of which information in the prospectus is current.

9. Persons responsible for information in the prospectus.

10. Name of the market maker, if any.

B. Minimum content of the prospectus:

1. Information about the management company:

1.1. Name of the management company, legal and organisational form, seat and management address, if different from the seat.

1.2. Registration date of the company and the time period it is founded for, if limited.

1.3. Names and positions in the company of members of administrative, management, and control bodies. Brief information about their education and professional experience. Data on main activities of the persons outside the fund, respectively the company, where this is of importance to it.

1.4. Size of the company's subscribed capital.

1.5. Functions and responsibilities of individual business units in the management company associated with the activity of the fund or company.

1.6. Main rights and obligations of the management company and the national investment company under the contract concluded between them.

2. Information about the manager of alternative investment funds:

2.1. Name of the manager of alternative investment funds, legal and organisational form, seat and management address, if different from the seat.

2.2. Registration date of the company and the time period it is founded for, if limited.

2.3. Names and positions in the company of members of administrative, management, and control bodies. Brief information about their education and professional experience. Data on main activities of the persons outside the fund, respectively the company, where this is of importance to it.

2.4. Size of the subscribed capital.

2.5. Functions and responsibilities of individual business units of the manager of alternative investment funds associated with the activity of the fund or company.

2.6. Main rights and obligations of the manager of alternative investment funds and the national investment company under the contract concluded between them.

3. Information about the investment consultant:

3.1. Full name of the person, number of certificate issued by the FSC.

3.2. Main rights and obligations of the person when managing the investments of the fund, respectively the company, under the contract concluded with the investment consultant.

4. Information about the national investment fund:

4.1. Description of the fund's investment aims, including its financial aims

4.2. Investment policy, limitations of the investment policy and indication of the methods and instruments for its implementation, including the authorisations for lending, which may be applied in the management of the fund.

4.3. Information about the types and major characteristics of each class of units issued by the fund, including:

– character of the right (property or other) represented by the unit;

– documents certifying the right of ownership, entry in a register or account;

– characteristics of unit;

– indication of the unit-holders' rights to vote and the corresponding manner of calling and holding general assemblies of the fund;

– indication of the unit-holders' right of dividend, if any, including conditions and manner of taking of decisions for distribution of dividend and its payment;

– circumstances, in which a decision may be taken for winding up or restructuring of the fund, procedure of winding up and manner of settling the relationship with unit-holders.

4.4. Where present, indication of the markets, at which the units are admitted to trade.

4.5. Conditions and procedure of issuing and sale of units, data on distributors of units and offices where this distribution is performed, and the manner, in which payments are organised.

4.6. Conditions and procedure of redemption of units, circumstances, in which redemption may be suspended, as well as the manner, in which payments to investors are organised.

4.7. Rules for evaluation of the fund's assets by types of instruments, in which it may invest.

4.8. Establishing the issue value and redemption price of units and in particular:

– method and frequency of calculation of these prices;

– information on the fees associated with the sale, issuing, and redemption of units;

– manners, places, and frequency of publishing of these prices.

4.9. Description of the rules for establishing and use (distribution) of the income, including the rules for distribution of dividend, if it is distributed.

4.10. Information on the size and manner of calculation of the remuneration payable by the fund to the management company, the manager of alternative investment funds, the depositary and third parties, as well as the manner of reimbursement of expenses by the fund to the management company, the manager of alternative investment funds, the depositary, and third parties.

4.11. Brief description of the conditions of the taxation system applicable to the fund, which are of importance to unit-holders. Indication of deductions at source from the income and the positive capital differences paid by the fund to unit-holders, if any.

4.12. Data on the manner of announcing of periodic financial information by the fund and messages to investors, including in association with distribution of income.

4.13. Names of auditors responsible for verification and certification of financial information.

5. Information about the national investment company:

5.1. Description of the company's investment aims, including its financial aims (growing capital and achieved income).

5.2. Investment policy (territorial or sector specialisation), limitations of the investment policy and indication of the methods and instruments for its implementation, including the option to use a loan.

5.3. Names and positions in the company of members of administrative and management bodies. Brief information about their education and professional experience. Data on main activities of the persons outside the company, where this is of importance to it.

5.4. Information about the types and main characteristics of shares, including:

– documents certifying the right of ownership;

– characteristics of shares, including indication of a minimum number of shares, which may be acquired, if any;

– indication of the shareholders' rights to vote and the corresponding manner of calling and holding general assemblies of the company;

– indication of the shareholders' right of dividend, if any, including conditions and manner of taking of decisions for distribution of dividend and its repayment;

– circumstances, in which a decision may be taken for winding up or restructuring of the company, manner of winding up and manner of settling the relationship with shareholders.

5.5. Where present, indication of the markets, at which the shares are admitted to trade.

5.6. Conditions and procedure of issuing and sale of shares, data on distributors of shares and offices where this distribution is performed, and the manner, in which payments are organised.

5.7. Conditions and procedure of redemption of shares, circumstances, in which redemption may be suspended, as well as the manner, in which payments to investors are organised.

5.8. Rules for evaluation of the company's assets by types of instruments, in which it may invest.

5.9. Establishing the issue value and redemption price of shares and in particular:

– method and frequency of calculation of these prices;

– information about the fees associated with the sale, issuing, and redemption of shares;

– manners, places, and frequency of publishing of these prices.

5.10. Description of the rules for establishing and use (distribution) of the income, including the rules for distribution of dividend, if it is distributed.

5.11. Information on the size and manner of calculation of the remuneration payable by the investment company to the management company, the manager of alternative investment funds, the depositary, investment consultant, and other third parties, as well as the manner of reimbursement of expenses by the fund to the management company, the manager of alternative investment funds, the depositary, and third parties.

5.12. Brief description of the conditions of the taxation system applicable to the company, which are of importance to shareholders. Indication of deductions at source from the income and the positive capital differences paid by the company to shareholders, if any.

5.13. Data on the manner of announcing of periodic financial information by the company and messages to investors, including in association with distribution of income.

5.14. Names of auditors responsible for verification and certification of financial information.

6. Information about the depositary:

6.1. Depositary's identification data and description of its obligations and of conflicts of interests, which may arise.

6.2. Description of all storage functions delegated by the depositary, the list of persons, to whom functions are delegated and re-delegated, and the possible conflicts of interests, which may arise from this delegation.

6.3. Declaration that by investors' request, current information will be provided about p. 6.1 and 6.2.

7. Other information about investments:

7.1. Results of the national investment fund's activity in the last five years.

7.2. Profile of the type of investor the national investment fund is intended for.

8. Expenses:

8.1. Expenses for the national investment fund's activity borne by its manager.

8.2. Expenses for the national investment fund's activity, which are at its expense.

8.3. Expenses borne by the investors.

9. Information about the market maker, including main rights and obligations of the parties to the contract with the market maker.

Appendix No 3

to art. 82f par. 3

(New – SG, issue 63 of 2016)

A. Exchange-traded index tracking fund

1. The prospectus of exchange-traded index tracking funds includes:

1.1. a clear description of the indices, including their main components or indication of the Internet page where the exact composition of indices is published;

1.2. information about the manner of tracking of the index (e.g. whether a model of full or sample-based physical replication will be followed, or that of synthetic replication) and the consequences of the selected manner for investors, expressed in their risk exposure to the main index and the counterparty risk;

1.3. information about expected level of tracking error in normal market conditions;

1.4. description of factors which will most probably affect the ability of an index tracking fund to track the results of the performance of indices.

2. Information under p. 1.2. is included in brief form also in the key investor information document of the exchange-traded index tracking fund.

A. Exchange-traded leveraged index tracking fund

1. The prospectus of exchange-traded leveraged index tracking funds includes:

1.1. description of the manner, in which the policy with leverage will be implemented (whether the capital lever is at index level, or is a result of the manner, in which the fund achieves exposure to the index), the value of leverage (where appropriate) and the risks associated with this policy;

1.2. description of the effect of a possible use of reverse leverage (i.e. short position);

1.3. description of the way the results of the fund's activity may differ significantly from the multiple of the results of the index in short- to mid-term plan.

2. Information under p. 1. is included in abridged form also in the key investor information document of the exchange-traded leveraged index tracking fund.