Collective Investment Schemes and Other Undertakings for Collective Investments Act

Promulgated, State Gazette No. 77/4.10.2011, amended and supplemented, SG No. 21/13.03.2012, SG No. 109/20.12.2013, effective 20.12.2013, amended, SG No. 27/25.03.2014, supplemented, SG No. 22/24.03.2015, effective 24.03.2015, amended and supplemented, SG No. 34/12.05.2015, SG No. 42/3.06.2016, SG No. 76/30.09.2016, effective 30.09.2016, amended, SG No. 95/29.11.2016, supplemented, SG No. 62/1.08.2017, amended and supplemented, SG No. 95/28.11.2017, effective 1.01.2018, SG No. 103/28.12.2017, effective 1.01.2018, SG No. 15/16.02.2018, effective 16.02.2018, amended, SG No. 20/6.03.2018, effective 6.03.2018, SG No. 24/16.03.2018, effective 16.02.2018, amended and supplemented, SG No. 27/27.03.2018, SG No. 77/18.09.2018, effective 1.01.2019, amended, SG No. 83/22.10.2019, effective 22.10.2019, SG No. 94/29.11.2019, amended and supplemented, SG No. 102/31.12.2019, supplemented, SG No. 26/22.03.2020, amended, SG No. 28/24.03.2020, effective 13.03.2020, amended and supplemented, SG No. 64/18.07.2020, effective 21.08.2020, amended, SG No. 12/12.02.2021, effective 12.02.2021, amended and supplemented, SG No. 21/12.03.2021, SG No. 16/25.02.2022, SG No. 25/29.03.2022, effective 29.03.2022, SG No. 51/1.07.2022, amended, SG No. 65/28.07.2023

---

*Note: An update of the English text of this Act is being prepared following the amendments in SG No. 84/6.10.2023, effective 10.10.2023, SG No. 85/10.10.2023, effective 10.10.2023

Text in Bulgarian: Закон за дейността на колективните инвестиционни схеми и на други предприятия за колективно инвестиране

PART ONE
GENERAL PROVISIONS

Article 1. This Act regulates:

1. the activity of collective investment schemes and management companies;

2. the activities of other undertakings for collective investments;

3. (new, SG No. 109/2013, effective 20.12.2013) the activities of alternative investment fund managers;

4. (renumbered from Item 3, amended, SG No. 109/2013, effective 20.12.2013) the requirements to the persons managing and controlling the persons under items 1 through 3, as well as to the persons having a qualifying holding in management companies and alternative investment fund managers;

5. (renumbered from Item 4, amended, SG No. 109/2013, effective 20.12.2013) the national supervision over compliance with this Act.

Article 2. The purpose of this Act is:

1. to ensure protection of the rights and interests of investors, inter alia by creating conditions to supply them with fuller and more appropriate information regarding the market for units of undertakings for collective investment;

2. to create conditions for the development of a transparent, open and efficient market for units of undertakings for collective investment;

3. to maintain the stability and the public confidence in the capital market.

Article 3. The persons and activities covered under Article 1 herein shall be regulated and supervised by the Financial Supervision Commission, hereinafter referred to as "the Commission", as well as by the Deputy Chairperson of the said Commission in charge of Investment Supervision Department, hereinafter referred to as "the Deputy Chairperson".

Article 3a. (New, SG No. 16/2022) The Financial Supervision Commission shall make decisions on the application in the supervisory practice thereof of recommendations and guidelines of the European Securities and Markets Authority (ESMA) and of the European Banking Authority (EBA) in accordance with Article 13, Paragraph 1, item 26 of the Financial

Supervision Commission Act, which shall be published on the website of the Commission in the Bulgarian language.

(2) The Commission shall adopt ordinances for the implementation of this Act and shall issue instructions and other acts to introduce requirements, criteria and conditions arising from the recommendations and guidelines referred to in Paragraph 1, applicable to the persons referred to in Article 1.

PART TWO
COLLECTIVE INVESTMENT SCHEMES

TITLE ONE
CONDITIONS FOR PURSUIT OF BUSINESS AS COLLECTIVE INVESTMENT SCHEME

Chapter One
GENERAL PROVISIONS

Article 4. (1) A collective investment scheme is a collective investment undertaking which meets the following conditions:

1. (supplemented, SG No. 76/2016, effective 30.09.2016) its sole objective is collective investment in transferable securities or other liquid financial assets under Article 38, Paragraph 1 of funds raised through public offering, and in the cases referred to in Article 21 (8) – of financial instruments as well, and which operates on the principle of risk spreading;

2. its units are dematerialised and are subject to redemption, directly or indirectly, based on its net asset value, at a request made by the unit-holders.

(2) Actions taken by the collective investment scheme to ensure that the stock exchange value of its units does not significantly vary from their value determined on the basis of the net asset value shall be regarded as equivalent to such actions for redemption.

(3) The collective investment scheme may not engage in activities other than those referred to in Paragraph 1, unless these are necessary for the pursuit of the activity under Paragraph 1 and the actions under Paragraph 2.

(4) (New, SG No. 109/2013, effective 20.12.2013, amended, SG No. 42/2016) A collective investment scheme may consist of individual investment sub-funds, the assets of which shall be invested in accordance with various investment strategies not allowing for mixing of assets, liabilities and results of individual sub-funds. A separate class of units shall be created for each investment sub-fund.

(5) (New, SG No. 102/2019) The net asset value of each sub-fund in the collective investment scheme shall meet the requirements of Article 9, Paragraph 1.

(6) (New, SG No. 102/2019) The collective investment scheme or its sub-fund may have separate classes of units with a common investment policy and specific characteristics, which shall not affect adversely the other classes of units in the same fund or sub-fund.

Article 5. (1) The collective investment scheme shall be established as a common (contractual) fund or as an investment company.

(2) The common fund shall have a separate property and shall be deemed established upon its registration in the register under Article 30, Paragraph 1 of the Financial Supervision Commission Act. Section XV "Company" of the Contracts and Obligations Act shall apply to the common fund, except for Article 359, Paragraphs 2 and 3, Article 360, Article 362, Article 363, letters "c" and "d" and Article 364, unless otherwise provided for herein or in the common fund rules.

(3) The investment company shall be a joint-stock company with one-tier management and with a seat in the Republic of Bulgaria, which shall be incorporated only at a constituent meeting.

(4) The activity of the collective investment scheme shall only be managed by a management company in accordance with a contract or in accordance with the common fund rules respectively.

(5) The collective investment scheme may not be transformed into a collective investment undertaking other than a collective investment scheme within the meaning of this Act.

Article 6. (1) For the pursuit of the activities as a collective investment scheme a licence for pursuit of business as investment company or an authorisation for common fund organization and management shall be granted by the Commission. The licence or authorisation as granted entitles the collective investment scheme to pursue business within the territory of all Member States.

(2) No person may pursue activities under Article 4, Paragraph 1, unless it has been granted a licence or an authorisation.

(3) A person who has not been granted a licence or an authorisation for pursuit of the activities under Article 4, Paragraph 1 may not use in its name, advertising or other activities the words "investment company" or "common fund", "mutual fund", "investment fund" or other equivalent words in Bulgarian or in a foreign language, denoting such activities.

(4) (New, SG No. 109/2013, effective 20.12.2013, amended, SG No. 102/2019) A collective investment scheme may include in its name the designation "money market fund", "MMF" or another designation in Bulgarian or foreign language suggesting that it is a money market fund, provided that it meets the requirements of Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds (OJ, L 169/8 of 30 June 2017), hereinafter referred to as "Regulation (EU) 2017/1131".

(5) (New, SG No. 109/2013, effective 20.12.2013, amended, SG No. 15/2018, effective 16.02.2018, SG No. 102/2019) A collective investment scheme may include in its name the designation "exchange-traded fund", "exchange-traded investment company" or any other concept suggesting trade in the issued shares or units on a regulated market under Article 152, Paragraphs 1 and 2 of the Markets in Financial Instruments Act or on a multilateral trading system under § 1, item 17 of the Additional Provisions of the Markets in Financial Instruments Act, provided that it meets the requirements of this Act and of the instruments for its application to exchange-traded funds.

(6) (New, SG No. 109/2013, effective 20.12.2013) Any additional requirements and limitations as regards the names of collective investment schemes may be set forth in an ordinance.

Article 7. (1) The subscribed capital of the investment company shall not be less than BGN 500,000. Registered in the commercial register shall be the capital of the company upon its establishment.

(2) (New, SG No. 76/2016, effective 30.09.2016) If for 6 consecutive months the average monthly net asset value of the company is below BGN 500,000, the management company shall, within 10 business days, disclose the reasons for this, the measures it will undertake to attract new investors, and the deadline within which these measures will be implemented and within which the company is expected to recover the amount of its net asset value.

(3) (New, SG No. 76/2016, effective 30.09.2016) The disclosure referred to in Paragraph (1) shall be made on the website of the management company and by other appropriate means in view of the established means of contact with investors. The management company shall submit to the Commission a copy of the disclosed information by the end of the business day following the day of its disclosure, and information regarding the results of the measures undertaken by the 10th day of each month until the minimum amount specified in Paragraph (1) is reached.

(4) (Renumbered from Paragraph 2, supplemented, SG No. 76/2016, effective 30.09.2016) Contributions to the capital may only be paid in cash, except in the cases referred to in Article 21 (8).

(5) (Renumbered from Paragraph 3, SG No. 76/2016, effective 30.09.2016) Not less than 25 per cent of the capital under Paragraph 1 shall be paid in upon filing the application for obtaining a licence for pursuit of business as investment company – within 14 days from receipt of the notification from the Commission that it will issue the licence after payment of the full amount of the capital.

(6) (Renumbered from Paragraph 4, SG No. 76/2016, effective 30.09.2016) From the moment of registration of the company in the commercial register, its capital shall be at all times equal to the net asset value. The capital may not be less than BGN 500,000.

(7) (Renumbered from Paragraph 5, SG No. 76/2016, effective 30.09.2016) The capital of the investment company shall be increased or reduced in accordance with the change in its net asset value, including as a result of sold or redeemed units. The provisions of Article 192 – Article 203 and Article 246 of the Commerce Act shall not apply.

(8) (Renumbered from Paragraph 6, SG No. 76/2016, effective 30.09.2016) The investment company shall issue only dematerialised non-preferred shares entitling their holder to one vote. In addition to establishment of the company, its shares shall be acquired at issue value determined on the basis of the net asset value. The provisions of Article 176, Paragraphs 2 and 3 and Article 188 – Article 191 of the Commerce Act shall not apply.

(9) (Renumbered from Paragraph 7, SG No. 76/2016, effective 30.09.2016) The company may not issue bonds or other debt securities.

Article 8. Unless otherwise provided for herein, as regards the procedure for holding a general meeting of shareholders of the investment company and dividend distribution, the provisions of Chapter eight of the Public Offering of Securities Act shall apply accordingly.

Article 9. (1) (Amended, SG No. 76/2016, effective 30.09.2016) The net asset value of the common fund shall be at least BGN 500,000. Such minimum amount shall be reached within two years of obtaining the authorisation for common fund organisation and management. If the net asset value of the common fund fails to reach BGN 500,000 within the time period specified in Paragraph (1) or for 6 consecutive months the average monthly net asset value of the common fund is below BGN 500,000, the management company shall, within 10 business days, disclose the reasons for this, the measures it will undertake to attract new investors, and the deadline within which these measures will be implemented and within which the common fund is expected to recover the amount of its net asset value. The time period of 10 business days in the second sentence shall start from the expiry of the two-year period specified in the first sentence, respectively from the expiry of 6 consecutive months referred to in the second sentence.

(2) (New, SG No. 76/2016, effective 30.09.2016) The disclosure referred to in Paragraph (1) shall be made on the website of the management company and by other appropriate means in view of the established means of contact with investors. The management company shall submit to the Commission a copy of the disclosed information by the end of the business day following the day of its disclosure, and information regarding the results of the measures undertaken by the 10th day of each month until the minimum amount specified in Paragraph (1) is reached.

(3) (Renumbered from Paragraph 2, SG No. 76/2016, effective 30.09.2016) The common fund shall be deemed to be the issuer of the units in which it is divided. The units shall give a right to a relevant portion in the property of the fund, including upon liquidation of the fund, a right of redemption, as well as other rights set out herein and in the common fund rules.

(4) (Renumbered from Paragraph 3, SG No. 76/2016, effective 30.09.2016) Common funds may also issue, based on their net asset value, partial units against a paid monetary contribution of a particular amount, if it is impossible to issue a whole number of units against the amount paid.

(5) (Renumbered from Paragraph 4, SG No. 76/2016, effective 30.09.2016) Common funds may distribute income in proportion to the units held in accordance with the terms and procedures laid down in the common fund rules.

(6) (Renumbered from Paragraph 5, SG No. 76/2016, effective 30.09.2016) The conditions for participation in the common fund, its organisation, management and dissolution shall be laid down in the common fund rules.

Article 10. (1) A person who is elected a member of the board of directors of an investment company shall not:

1. have been convicted of crimes against property, economic offences or offences against the financial system, the tax system or the social insurance system, committed in the Republic of Bulgaria or abroad, unless rehabilitated;

2. have been a member of a managing or controlling body or a general partner in a company against which bankruptcy proceedings have been instituted, or which is terminated by bankruptcy, if unsatisfied creditors remained;

3. have been declared bankrupt or is undergoing bankruptcy proceedings;

4. a spouse, or relative, in direct or lateral lineage up to the third degree inclusive, or by marriage up to the third degree, to another member of the board of directors of the company;

5. be deprived of the right to hold position of financial responsibility.

(2) The requirements under Paragraph 1 shall also apply to natural persons representing legal entities that are members of the board of directors of the investment company.

(3) The requirements under Paragraph 1 shall also apply to any other person who may conclude, individually or jointly with another person, transactions for the account of the investment company.

(4) (Amended, SG No. 103/2017, effective 1.01.2018) The circumstances under Paragraph (1), item 1 for Bulgarian citizens shall be established ex officio by the commission, and for foreign citizens shall be established by a conviction status certificate or identical document, and the circumstances under Paragraph (1), items 2 - 5 for Bulgarian and foreign citizens shall be established by declaration.

(5) The persons under Paragraphs 1 - 3 shall notify the Commission of any change in the circumstances under Paragraph 1 declared thereby within three business days from the change thereof.

(6) (New, SG No. 103/2017, effective 1.01.2018) Circumstances under Paragraph (1), item 1 shall require and receive officially from Financial Supervision Commission when receiving application for authorisation under Article 12.

Article 10a. (New, SG No. 102/2019) The investment company shall ensure and apply adequate and effective internal channels and procedures for sending signals by its employees about actual or potential violations of this Act and the instruments for its application.

Article 11. The provisions of this part shall not apply to the activity of:

1. collective investment undertakings raising monetary funds without offering publicly for sale their units within the European Union or parts thereof;

2. collective investment undertakings whose units may be publicly offered only in third countries in accordance with the rules of the fund or the statute of the investment company;

3. collective investment undertakings laid down in part three, unless otherwise provided for herein;

4. holding companies whose funds are invested through their subsidiaries primarily in assets other than transferrable securities under Article 38, Paragraph 1.

Chapter Two

GRANTING AND WITHDRAWAL OF LICENCE OF INVESTMENT COMPANY AND AUTHORISATION FOR COMMON FUND ORGANISATION AND MANAGEMENT

Article 12. (1) An application for issue of a licence for pursuit of activity as investment company shall be submitted to the Commission, according to a standard form approved by the Deputy Chairperson, to which the following shall be attached:

1. the statute;

2. data about the subscribed and paid-in capital;

3. data about and other necessary documents for the members of the board of directors of the investment company, the natural persons representing legal entities that are members of the board of directors respectively or about other persons authorised to manage and represent it, as well as data about their professional qualification and experience;

4. the contract with the management company and the contract for depositary services;

5. the names or company names and data about the persons holding directly or indirectly 10 or more than 10 per cent of the voting shares of the applicant or which may exercise control over it, as well as about the number of shares held thereby; the persons shall submit written declarations for the origin of funds used in payment of the contributions for the subscribed shares, including data about whether the funds are borrowed, as well as about taxes paid thereby in the last 5 years according to a standard form approved by the Deputy Chairperson;

6. the rules for portfolio valuation and determination of the net asset value;

7. the prospectus of the investment company and the document with the key investor information;

8. the rules for risk management;

9. other documents and data set out in an ordinance.

(2) An application for issue of an authorisation for common fund organisation and management shall be submitted to the Commission, according to a standard form approved by the Deputy Chairperson, to which the following shall be attached::

1. the common fund rules;

2. the decision of the competent body of the management company for the organisation of a common fund;

3. the rules for portfolio valuation and determination of the net asset value;

4. the contract for depositary services;

5. the prospectus of the common fund and the document with the key investor information;

6. the rules for risk management;

7. other documents and data set out in an ordinance.

(3) (New, SG No. 102/2019) For granting a licence to pursue activity as investment company that will be money market fund or authorisation for common fund organisation and management that will be a money market fund, an application shall be submitted to the Commission in accordance with the requirements of Regulation (EU) 2017/1131. Attached to the application shall be the documents under Article 4, paragraph 5 of Regulation (EU) 2017/1131.

(4) (Renumbered from Paragraph 3, SG No. 102/2019) Based on the documents submitted, the Commission shall check whether the requirements for granting a licence or an authorisation are fulfilled. If the submitted data and documents are incomplete or irregular or if additional information or proof of the veracity of data is necessary, the Commission shall send a notice and shall set a term for elimination of the missing data or irregularities found or for submission of additional information and documents, which may not be less than one month and shall not exceed two months.

(5) (Renumbered from Paragraph (4), amended, SG No. 102/2019) If the notice under Paragraph 4 cannot be accepted at the correspondence address indicated by the applicant, the term for submission thereof shall run from displaying the notice at a specially designated place in the building of the Commission. This circumstance shall be ascertained by a protocol drawn up by officials designated by an order of the Chairperson of the Commission.

(6) (Amended, SG No. 109/2013, effective 20.12.2013, renumbered from Paragraph (5), amended, SG No. 102/2019) The Commission shall issue a decision on the application within two months from receipt thereof, and where additional data and documents have been demanded, within two months from receipt thereof or expiry of the term under Paragraph 4, second sentence, respectively.

(7) (Renumbered from Paragraph 6, SG No. 102/2019) Simultaneously with the issue of the licence of the investment company and the authorisation of the management company for common fund organization and management, the Commission shall confirm the prospectus and the document with key investor information of the collective investment scheme.

(8) (Renumbered from Paragraph 7, SG No. 102/2019) The applicant shall be notified in writing of the decision issued within 7 days.

(9) (Renumbered from Paragraph 8, SG No. 102/2019) When issuing the licence for pursuit of activity as investment company or the authorisation for common fund organisation and management, the investment company shall be registered in the register kept by the Commission under Article 30, Paragraph 1 of the Financial Supervision Commission Act.

Article 12a. (New, SG No. 102/2019) (1) When a licence is granted to pursue activity as investment company that will be money market fund or authorisation for common fund organisation and management, the investment company or the management company of the common fund may submit an application to the Commission in accordance with the requirements of Regulation (EU) 2017/1131 for granting a licence to operate as a money market fund or an authorisation for common fund organisation and management as a money market fund.

(2) Attached to the application under Paragraph 1 shall be the documents under Article 4, paragraph 5 of Regulation (EU) 2017/1131.

(3) The Commission shall issue a decision on the application under Paragraph 1 in accordance with the procedure set out in Article 12, Paragraphs 4 – 8 and in compliance with Regulation (EU) 2017/1131.

Article 13. (1) Besides the data required under the Commerce Act, the statute of the investment company shall contain:

1. primary objectives and restrictions on investment activity, as well as the investment policy of the investment company;

2. (new, SG No. 109/2013, effective 20.12.2013) the investment sub-funds, if any, an investment company consists of, and the investment strategies in accordance with which the assets of each of the investment sub-funds are invested, as well as the specifics of implementation of the company's investment policy to each of these sub-funds;

3. (renumbered from Item 2, supplemented, SG No. 109/2013, effective 20.12.2013) the share of investments by type of assets, including for each investment sub-fund, if any, the investment company consists of;

4. (renumbered from Item 3, SG No. 109/2013, effective 20.12.2013) remunerations and methods of calculation of the remuneration of the management company, the board of directors respectively;

5. (renumbered from Item 4, SG No. 109/2013, effective 20.12.2013) allocation of the rights and obligations between the board of directors and the management company;

6. (renumbered from Item 5, SG No. 109/2013, effective 20.12.2013) the conditions and procedure for calculation of the net asset value, the issue value and the price of the units at redemption and of dividend, if any;

7. (renumbered from Item 6, SG No. 109/2013, effective 20.12.2013) the conditions and procedure for redemption of the units and the conditions for suspension of redemption and for dividend distribution, if any, or for reinvestment thereof;

8. (renumbered from Item 7, SG No. 109/2013, effective 20.12.2013) the conditions for replacement of the depositary and the rules for securing the interests of the shareholders, in the event of such replacement;

9. (renumbered from Item 8, SG No. 109/2013, effective 20.12.2013) the conditions for replacement of the management company and the rules for ensuring the interests of shareholders in the event of such replacement;

10. (new, SG No. 102/2019) the terms and procedure for issuance and redemption of shares of the company against a combination of financial instruments under Article 21, Paragraphs 8 and 9, if provided for.

(2) The rules of the common fund shall contain:

1. the name of the common fund;

2. data about the person organising or managing the common fund;

3. (new, SG No. 109/2013, effective 20.12.2013) the investment sub-funds, if any, the common fund consists of, and the investment strategies in accordance with which assets of each of the investment sub-funds are invested, as well as the specifics of implementation of the common fund's investment policy to each of these sub-funds;

4. (renumbered from Item 3, SG No. 109/2013, effective 20.12.2013) the primary objectives and restrictions on investment activity, as well as the investment policy;

5. (renumbered from Item 4, SG No. 109/2013, effective 20.12.2013) the conditions and procedure for calculation of the net asset value, the issue value and the price of the units at redemption;

6. (renumbered from Item 5, SG No. 109/2013, effective 20.12.2013) methods for valuation of assets and liabilities;

7. (renumbered from Item 6, SG No. 109/2013, effective 20.12.2013) the rights attaching to the units;

8. (renumbered from Item 7, SG No. 109/2013, effective 20.12.2013) the remuneration of the management company, the fees to be charged by the management company for the sale and redemption of the units, and other fees, if any, as well as the methods for their calculation;

9. (renumbered from Item 8, amended, SG No. 109/2013, effective 20.12.2013) the rules for determination of the remuneration of the depositary;

10. (renumbered from Item 9, SG No. 109/2013, effective 20.12.2013) the conditions and procedure for redemption of the units and the conditions for suspension of redemption;

11 (renumbered from Item 10, SG No. 109/2013, effective 20.12.2013) the conditions and procedure for allocation of income or reinvestment thereof;

12. (renumbered from Item 11, amended, SG No. 109/2013, effective 20.12.2013) the conditions for replacement of the depositary and the rules for securing the interests of the unit-holders, in the event of such replacement;

13. (renumbered from Item 12, SG No. 109/2013, effective 20.12.2013) the conditions for replacement of the management company and the rules for ensuring the interests of unit-holders in the event of such replacement;

14. (new, SG No. 102/2019) the conditions and procedure for issuance and redemption of units of the fund against a combination of financial instruments under Article 21, Paragraphs 8 and 9, if provided for.

Article 14. The licence for pursuit of business as investment company or the authorisation for common fund organisation and management granted by the Commission shall be valid on the territory of all Member States.

(2) The Commission may not require from a collective investment scheme to be managed only by a management company originating in the Republic of Bulgaria and may not require from a management company originating from another Member State to exercise its activity by mandating activities on the territory of the Republic of Bulgaria.

Article 15. (1) The Commission shall refuse to grant a licence for pursuit of business as investment company if:

1. the company's statute is not in conformity with law;

2. the subscribed capital does not meet the requirements of Article 7, Paragraph 1;

3. the contract with the management company does not comply with the requirements of this Act and the instruments for its application;

4. the members of the board of directors do not meet the requirements of Article 10;

5. the persons holding directly or indirectly 10 or more than 10 per cent of the votes in the general meeting of the investment company could threaten the safety of investments with their activity or with their influence on decision-making;

6. the persons holding directly or indirectly 10 or more than 10 per cent of the votes in the general meeting have paid contributions with borrowed funds;

7. (amended, SG No. 109/2013, effective 20.12.2013) the depositary or the contract with the depositary does not comply with the requirements of the Act or the instruments for its application;

8. the prospectus or the key investor information of the investment company does not comply with the requirements of the Act or the instruments for its application;

9. pursuant to law or its statute, the investment company may not offer its shares on the territory of the Republic of Bulgaria;

10. the interests of the investors are not sufficiently ensured;

11. the management company has not obtained authorisation for pursuit of activity in accordance with Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OB, L 302/32 of 17 November 2009), hereinafter referred to as "Directive 2009/65/EC", in its home Member State.

(2) The Commission shall refuse to grant authorisation for common fund organization and management if:

1. the applicant does not meet the requirements of the law;

2. the rules of the common fund do not meet the requirements of this Act and the instruments for its application;

3. (amended, SG No. 109/2013, effective 20.12.2013) the depositary or the contract with the depositary do not comply with the requirements of this Act or the instruments for its application;

4. the prospectus or the key investor information of the common fund does not comply with the requirements of this Act or the instruments for its application;

5. pursuant to law or its statute, the common fund may not offer its units on the territory of the Republic of Bulgaria;

6. the interests of the investors are not sufficiently ensured;

7. the management company has not obtained authorisation for pursuit of activity in accordance with Directive 2009/65/EC in its home Member State.

(3) In the cases under Paragraph 1, items 1 - 4, 7 and 8, or under Paragraph 2, items 2, 3 and 4 respectively the Commission may refuse to grant a licence or an authorisation only if the applicant has not removed the irregularities or has not submitted the required documents within the time limit set by the Commission, which may not be shorter than one month.

(4) The Commission shall provide written reasons for the refusal.

Article 16. In the event of refusal under Article 15 the applicant may submit a new application for licence or authorisation respectively not earlier than 6 months from entry into force of the decision on the refusal.

Article 17. (1) The Registry Agency shall register the investment company in the commercial register upon submission of the relevant licence issued by the Commission.

(2) (New, SG No. 27/2018) The Registry Agency shall register the common fund into the BULSTAT Register after it is presented with the respective authorisation for common fund organisation and management, issued by the Commission.

(3) (Renumbered from Paragraph 2, amended, SG No. 27/2018) The investment company and the management company, which has obtained authorisation for the common fund organisation and management, shall notify the Commission of the registration under Paragraphs (1) and (2) within 7 days from execution thereof.

Article 18. (1) (Amended, SG No. 109/2013, effective 20.12.2013, supplemented, SG No. 95/2017, effective 1.01.2018, amended, SG No. 102/2019) Any change in the rules or the statute of a collective investment scheme, any change of the depositary and any change of the management company, changes in the risk management rules, the rules for portfolio valuation and for determination of the net asset value and any change in the contract for depositary services shall be subject to approval by the Deputy Chairperson.

(2) (Amended, SG No. 95/2017, effective 1.01.2018, SG No. 102/2019) For granting an approval under Paragraph 1 an application shall be filed according to a standard form approved by the Deputy Chairperson: The Deputy Chairperson shall issue or refuse to issue the approval under Paragraph 1 within 14 days from receipt of the application with attachments thereto, and if additional information and documents have been required - from the receipt thereof.

(3) Based on the documents submitted, the Deputy Chairperson shall establish whether the requirements for the issuance of the requested approval have been complied with. If the data and documents submitted are incomplete or irregular or if additional information is needed, the Deputy Chairperson shall send a notice and shall set a time limit for elimination of the missing data or irregularities or for submission of additional information and documents.

(4) (Amended, SG No. 95/2017, effective 1.01.2018) If the notice under Paragraph 3 is not accepted at the correspondence address stated by the applicant, the time limit for removal of missing data and irregularities or submission of additional information and documents respectively shall run from displaying the notice at a specially designated place in the building of the Commission. Any such posting shall be attested by a memorandum drawn up by officers designated by an order of the Chairperson of the Commission.

(5) (Amended, SG No. 95/2017, effective 1.01.2018, SG No. 102/2019) The Deputy Chairperson of the Commission shall

refuse to grant approval under Paragraph 1 if the requirements of the Act or the instruments for its application are not complied with or if the interests of the investors are not ensured. The refusal shall be reasoned in writing.

(6) The applicant shall be notified in writing of the decision within three days.

(7) (Amended, SG No. 95/2017, effective 1.01.2018, SG No. 102/2019) The Registry Agency shall register in the commercial register the change in the statute of the investment company upon submission of the approval of the Deputy Chairperson.

Article 19. (1) (Amended, SG No. 102/2019) The Commission may withdraw the licence granted if the investment company:

1. does not make use of the licence within 12 months from issue thereof, expressly renounces the licence issued or has ceased the activity more than 6 months;

2. (repealed, SG No. 76/2016, effective 30.09.2016);

3. has submitted false data which have served as a ground for issuing the licence;

4. no longer fulfils the conditions under which the licence was granted;

5. does not meet the requirements for liquidity set out in an ordinance;

6. (amended, SG No. 15/2018, effective 16.02.2018, amended and supplemented, SG No. 102/2019) grossly or systematically violates the provisions of this Act, the Measures Against Money Laundering Act, the instruments for their implementation and Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012 (OJ, L 337/1 of 23 December 2015), hereinafter referred to as "Regulation (EU) 2015/2365";

7. has not chosen a new management company or has not restructured itself in the cases under Article 157, Paragraph 1, item 2.

(2) (Amended, SG No. 102/2019) The Commission may withdraw the authorisation for common fund organisation and management:

1. (repealed, SG No. 76/2016, effective 30.09.2016);

2. in the cases under Paragraph 1, items 1 - 5 and 7;

3. if this is necessary to protect the interests of the investors.

(3) (New, SG No. 102/2019) The Commission may withdraw the licence granted for the pursuit of business as a money market fund or the authorisation for organisation and management of a money market fund in the cases of Paragraphs 1 and 2 and in the cases referred to in Article 41, paragraph 1 of Regulation (EU) 2017/1131.

Article 20. The Commission shall publish on its website the effective legal and regulatory provisions and administrative procedures relating to the establishment and operation of the collective investment scheme in Bulgarian and in English and shall update them promptly in the event of change.

Chapter Three

PUBLIC OFFERING AND REDEMPTION OF COLLECTIVE INVESTMENT SCHEME UNITS

Article 21. (1) (Amended, SG No. 16/2022) Any collective investment scheme shall permanently offer its units to investors at their issue value based on the net asset value, and at the request of the unit-holders shall redeem them at a price based on the net asset value, in accordance with the conditions and procedure set out in this Act, in the instruments for its application and in the statute or the rules of the common fund respectively, except for the case referred to in Article 22, Paragraphs 1 and 3.

(2) (Amended, SG No. 109/2013, effective 20.12.2013) The issue value and the redemption price shall be calculated by the depositary or by the management company under the supervision of the depositary.

(3) The issue value and the redemption price shall be determined at least twice weekly in equal periods of time.

(4) (Supplemented, SG No. 109/2013, effective 20.12.2013) If so provided for in the statute or the rules of the collective investment scheme, respectively, the issue value may exceed the net asset value per unit by the amount of the issue costs. The maximum amount of the issue costs shall be set forth in the statute, or the rules of the collective investment scheme, respectively.

(5) (Supplemented, SG No. 109/2013, effective 20.12.2013) If so provided for in the statute or the rules of the collective investment scheme respectively, the redemption price may be lower than the net asset value per unit by the amount of the redemption costs. The maximum amount of the redemption costs shall be set forth in the statute, or the rules of the collective investment scheme, respectively.

(6) The obligation for redemption shall be fulfilled within 10 days from submission of the request and at a price based on the redemption price for the nearest day following the day on which the request was made.

(7) All orders for purchase of units of a collective investment scheme and all orders for redemption of its units received in the period between two dates for calculations of the issue value and the redemption price shall be executed at one and the same value.

(8) (New, SG No. 76/2016, effective 30.09.2016, supplemented, SG No. 102/2019) Passively managed exchange-traded funds may issue units against a combination of financial instruments making up the index the fund has chosen to reproduce, in the relevant ratio and under a procedure set out in its rules.

(9) (New, SG No. 76/2016, effective 30.09.2016, supplemented, SG No. 102/2019) Units issued against financial instruments may be redeemed in exchange for a combination of the financial instruments making up the index the fund has chosen to reproduce, in the relevant ratio and under a procedure set out in its rules.

(10) (Supplemented, SG No. 109/2013, effective 20.12.2013, renumbered from Paragraph 8, SG No. 76/2016, effective 30.09.2016) A collective investment scheme shall issue, sell and redeem its units through the management company based on a written contract with the client under terms and conditions and according to a procedure set forth in an ordinance.

(11) (Renumbered from Paragraph 9, SG No. 76/2016, effective 30.09.2016, amended, SG No. 83/2019, effective 22.10.2019) The management company shall submit for registration in the central securities register kept by Central Depository AD information about newly issued and redeemed units and about the persons that have purchased units and whose units have been redeemed.

Article 22. (1) A collective investment scheme may suspend temporarily redemption of its units under the conditions and the procedure set out in the statute or the rules, but only in exceptional cases, if the circumstances so require and if the suspension is justified in view of the interests of the unit-holders, including in the following cases:

1. where the conclusion of transactions on a regulated market on which a significant portion of the assets of the collective investment scheme are admitted to trading is terminated, suspended or subject to restriction;

2. where the assets or liabilities of the collective investment scheme cannot be correctly valued or the latter may not dispose with them without harming the interests of the unit-holders;

3. where a decision is taken on winding-up or restructuring through merger or acquisition of the collective investment scheme under the conditions and the procedure of chapter fourteen.

(2) In the cases of Paragraph 1 the collective investment scheme shall notify the Commission and relevant competent authorities of all Member States in which it offers its units of the decision taken by the end of the business day and shall notify them accordingly of the resumption of redemption by the end of the business day preceding the day of the resumption.

(3) When taking a decision under Paragraph 1 the collective investment scheme shall also stop immediately the issuing of units for the period of temporary suspension of redemption.

(4) The collective investment scheme and the management company respectively shall notify the unit-holders in the cases of Paragraph 1 of the decision for suspension of redemption and of the subsequent decision on resumption thereof. The collective investment scheme and the management company respectively shall publish on its website the decision on suspension of redemption and resumption thereof, and where the units are admitted to trading on a regulated market, it shall notify the market

thereof within the time limit under Paragraph 2.

(5) (Repealed, SG No. 16/2022).

Article 23. (1) The rules for calculation of the net asset value of the collective investment scheme and the rules for calculation of the issue value and the redemption price shall be laid down in the statute, the rules of the collective investment scheme respectively.

(2) The requirements to the rules for determination of the net asset value, the issue value and the redemption price of the collective investment scheme shall be set out in an ordinance.

(3) (Amended, SG No. 76/2016, effective 30.09.2016) Distribution and reinvestment of earnings generated from the collective investment scheme shall be in accordance with the statute, the rules of the collective investment scheme respectively.

Article 24. (1) The collective investment scheme may not issue units whose issue value has not been fully paid in.

(2) The restriction under Paragraph 1 shall not apply in cases of distribution of units as bonuses under conditions and procedure laid down in the statute, the rules of the collective investment scheme respectively.

Chapter Three "A"

(New, SG No. 109/2013, effective 20.12.2013)
EXCHANGE-TRADED FUNDS

Article 24a. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 15/2018, effective 16.02.2018) A collective investment scheme may request for the shares or units issued by it to be admitted to trading on a regulated market under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act or on a multilateral trading system under § 1, item 17 of the Additional Provisions of the Markets in Financial Instruments Act, respectively to be traded on such a market, provided the following requirements have been complied with:

1. the shares or units are traded on the respective market throughout the whole trading session of the market;

2. a contract has been entered into for the shares or units with at least one market-maker, which ensures maintaining of a stock exchange price of the shares or units, which does not significantly differ from the net value of the assets, the indicative net value of the assets, respectively.

(2) A collective investment scheme that meets the requirements under Paragraph 1 shall have in its name, in its statute, respectively its rules, prospectus, document with the key investor information, as well as in its marketing announcements, the designation "exchange-traded fund".

(3) A collective investment scheme that does not meet the requirements under Paragraph 1 may not include in its name, in its statute, respectively its rules, prospectus, document with the key investor information, and in its marketing announcements, the designation under Paragraph 2, or any equivalent words in Bulgarian or foreign language.

(4) (New, SG No. 76/2016, effective 30.09.2016) A passively managed exchange-traded fund shall include in its statute, respectively its rules, prospectus, document with the key investor information, as well as in its marketing announcements, information regarding whether it issues and redeems units in exchange for financial instruments.

Article 24b. (New, SG No. 109/2013, effective 20.12.2013, amended, SG No. 24/2018, effective 16.02.2018) If the acquisition of shares or units of an exchange-traded fund at the time of issuance thereof is limited only to institutional investors, the management company shall have to apply for admittance of the issue of shares or units of the collective investment scheme for trading on a regulated market under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act within a 30-day term from the start of marketing of these shares or units. If within a two-month term from the start of marketing under the first sentence, these shares or units are not admitted to trading on a regulated market, the limitations as to the investors who may purchase shares of units shall not apply.

Article 24c. (New, SG No. 109/2013, effective 20.12.2013) (1) Redemption of shares or units of an exchange-traded fund may be limited down to a specific category of investors and/or for a set minimum number of shares or units.

(2) In the cases under Paragraph 1, if there is any significant deviation from the stock exchange price of the shares or units of an

exchange-traded fund, including in case of market disruption, including of absence of a market-maker, the limitations on redemption under Paragraph 1 shall not apply. Where a circumstance occurs, under which the limitations on redemption shall not apply, the exchange-traded fund management company shall immediately notify the regulated market or the operator of the multilateral trading system on which the shares or units are traded of this circumstance and of the possibility for each investor to apply for redemption.

(3) The redemption costs paid by investors in the cases under Paragraph 2 shall not be in an amount that prevents or significantly hinders the redemption under Paragraph 2.

Article 24d. (New, SG No. 109/2013, effective 20.12.2013) Additional requirements in relation to exchange-traded funds shall be set out in an ordinance.

Chapter Four
GENERAL REQUIREMENTS

Article 25. (Amended, SG No. 109/2013, effective 20.12.2013, SG No. 76/2016, effective 30.09.2016) (1) (Amended, SG No. 102/2019) The depositary may not be the same person with the management company of the collective investment scheme.

(2) The depositary shall apply due diligence, perform its duties with integrity, fairly, professionally, independently and solely in the interest of the collective investment scheme and the unit-holders in the collective investment scheme.

(3) The depositary may not perform for the collective investment scheme or for the management company acting on behalf of the collective investment scheme any activity which could give rise to conflict of interests between the collective investment scheme, the investors in it, the management company and the depositary, unless where there is a functional and hierarchical segregation between the functions performed by the depositary for the collective investment scheme and its other functions, and if the conflicts of interests that may arise are properly identified, managed, monitored and disclosed to investors in the collective investment scheme.

Article 26. (1) (Amended, SG No. 95/2017, effective 1.01.2018) The contract with the management company may be terminated by the investment company with a three-month notice, subject to approval of the replacement of the management company by the Commission.

(2) Upon avoidance of the contract under Paragraph 1 by the investment company due to default on the obligations of the management company, the latter shall terminate immediately the management of the activity of the investment company. Until conclusion of a contract with another management company or until restructuring of the investment company through merger or acquisition, the management body of the investment company shall perform management actions, as an exception, for a period not exceeding three months.

(3) (Amended, SG No. 109/2013, effective 20.12.2013) Upon withdrawal of the licence for pursuit of activity, upon winding up or declaration into bankruptcy of the management company which manages a common fund, the management company shall terminate the management of the fund and shall deliver immediately all the available information and documentation in relation to the management of the fund to the depositary. Until conclusion of a contract with another management company or until restructuring of the fund through merger or acquisition, the depositary shall perform management actions, as an exception, for a period not exceeding three months.

(4) (Amended, SG No. 109/2013, effective 20.12.2013, SG No. 76/2016, effective 30.09.2016, SG No. 95/2017, effective 1.01.2018) The contract with the depositary may be terminated by the management company at the expense of the collective investment scheme with a three-month notice, subject to approval of the replacement of the depositary by the Commission.

Article 27. (1) (Amended, SG No. 109/2013, effective 20.12.2013, SG No. 76/2016, effective 30.09.2016) The management company and the depositary which act on behalf of the collective investment scheme my not use loans, except in the cases of Paragraphs 2 and 3.

(2) The collective investment scheme may acquire foreign currency through a compensation loan under conditions set out in an ordinance.

(3) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson may grant

permit to the collective investment scheme to use a loan of up to 10 per cent of the value of its assets, if the following conditions obtain simultaneously:

1. the loan is for a term not longer than three months and is necessary to cover the obligations for redemption of the units in the scheme;

2. the conditions of the loan contract shall not be less favourable than the normal market conditions and the statute and the rules of the collective investment scheme allow the conclusion of such a contract.

(4) (Amended, SG No. 95/2017, effective 1.01.2018) The Deputy Chairperson shall issue or refuse to issue the permit under Paragraph 3 in accordance with Article 18, Paragraphs 2 - 6.

(5) The actions committed in violation of Paragraph 1 shall be void against unit-holders.

Article 28. (1) (Amended, SG No. 109/2013, effective 20.12.2013) The investment company as well as the management company and the depositary, when acting on behalf of the collective investment scheme, may not grant loans, nor be guarantors of third parties.

(2) The actions committed in violation of Paragraph 1 shall be void against unit-holders.

(3) Notwithstanding the restrictions under Paragraph 1, the persons under Paragraph 1 may acquire transferable securities, money market instruments or other financial instruments under Article 38, Paragraph 1, items 5, 7, 8 and 9 in the cases where their value is not fully paid in.

Article 29. (Amended, SG No. 109/2013, effective 20.12.2013) The investment company as well as the management company and the depositary, when acting on behalf of the collective investment scheme, may not conclude contracts for short sales of transferable securities, money market instruments or other financial instruments under Article 38, Paragraph 1, items 5, 7, 8 and 9.

Article 30. (1) The remuneration and costs the management company may charge at the expense of the collective investment scheme as well as the methods for calculation of such remuneration shall be determined in accordance with the conditions and the procedure set out in this Act, the instruments for its application or in the statute, the rules of the collective investment scheme respectively.

(2) The management company may not collect fees which are not stipulated or exceed the amount set out in the statute of the investment company, the fees set out in the rules of the common fund respectively.

Article 31. The investment company may not exercise control over the management company.

Article 32. (1) (Previous text of Article 32, SG No. 21/2012, amended, SG No. 76/2016, effective 30.09.2016) The investment company and the management company shall adopt rules for the personal transactions of the members of the board of directors of the investment company, the members of the managing or controlling bodies of the management company respectively, which shall ensure that no personal transactions shall be concluded or investments held by such persons, allowing them jointly or individually to exercise significant influence over an issuer, or which might lead to a conflict of interest or which result from abuse of information acquired by them in relation to their professional duties within the meaning of the Implementation of the Measures against Market Abuse with Financial Instruments Act.

(2) (New, SG No. 21/2012) The investment intermediary shall adopt and apply a remuneration policy to the persons working for it.

Article 32a. (New, SG No. 42/2016) No enforcement and establishment of collaterals on the cash and the financial instruments of a collective investment scheme shall be allowed for obligations of the management company or the depositary.

Article 33. (Supplemented, SG No. 21/2012, amended, SG No. 109/2013, effective 20.12.2013) (1) (Previous text of Article 33, SG No. 102/2019, amended and supplemented, SG No. 16/2022) Other requirements to the activity, the structure of assets and liabilities and the liquidity of the collective investment scheme, including the conduct of liquidity stress tests aimed at protecting the interests of investors, including the keeping and maintaining of accounting records of the collective investment scheme, the annual and half-yearly reports and their dissemination, the method and procedure for valuation of the assets and liabilities of the collective investment scheme, the requirements to the remuneration policy and the manner of its communication, the rules for personal transactions, the disclosure of information, the content of marketing communications for units of the

collective investment scheme, the units selling activity, the content of the contract of the investment company with the management company and the depositary, and the content of the contract between the management company and the depositary as well as requirements related to the calculation and disclosure of fees for results achieved in the management of the collective investment scheme shall be set out in an ordinance.

(2) (New, SG No. 102/2019) The common reference parameters for the scenarios used in the stress tests of a money market fund, which shall be conducted in accordance with Article 28 of Regulation (EU) 2017/1131, shall be determined with the guidelines of the European Securities and Markets Authority (ESMA) under Article 28, paragraph 7 of Regulation (EU) 2017/1131, in respect whereof the Commission has issued a decision on their application in accordance with Article 13, Paragraph 1, Item 26 of the Financial Supervision Commission Act, may be set out in an ordinance as additional requirements.

Chapter Five

OBLIGATIONS OF THE DEPOSITARY
(Title amended, SG No. 109/2013, effective 20.12.2013)

Article 34. (Amended and supplemented, SG No. 109/2013, effective 20.12.2013, amended, SG No. 76/2016, effective 30.09.2016, amended, SG No. 15/2018, effective 16.02.2018, SG No. 102/2019) Dematerialised financial instruments held by the collective investment scheme shall be registered with a depositary institution within the meaning of § 1, Item 79, letter (b) of the Supplementary Provisions of the Markets in Financial Instruments Act, and the other assets of the collective investment scheme shall be safe-kept at a depositary. Where the depositary is an investment intermediary, the funds shall be safe-kept under the provisions of Articles 92 and 93 of the Markets in Financial Instruments Act.

Article 35. (1) (Amended, SG No. 109/2013, effective 20.12.2013, SG No. 76/2016, effective 30.09.2016) A depositary may be a bank, which shall meet the following requirements:

1. has been granted a licence by the Bulgarian National Bank for pursuit of banking business or is a bank from a Member State carrying out banking business on the territory of the Republic of Bulgaria through a branch;

2. has been granted an authorisation for execution of transactions in financial instruments;

3. has been granted an authorisation for pursuit of business as depositary or trust institution in accordance with Article 2, Paragraph 2, item 4 of the Credit Institutions Act;

4. its licence, activity, transactions or operations are not restricted to the extent to inhibit or make impossible the discharge of its obligations set out herein or in the contract for depositary services;

5. (amended, SG No. 27/2014, SG No. 12/2021, effective 12.02.2021) during the last 12 months no measures under Article 103, Paragraph 2, items 16, 24 or 25 of the Credit Institutions Act were imposed on it and it has not been penalized for violating the requirements of this Act;

6. possessing human and IT resources for efficient performance of its depositary functions and obligations in accordance with the requirements of this Act and the instruments for its application.

(2) (New, SG No. 109/2013, effective 20.12.2013, amended, SG No. 76/2016, effective 30.09.2016) A depositary may also be an investment intermediary, which shall meet the following requirements:

1. (amended, SG No. 15/2018, effective 16.02.2018) has a licence granted by the Commission which shall include as a minimum performance of transactions in financial instruments and of the additional services under Article 6, Paragraph 3, item 1 of the Markets in Financial Instruments Act, or is an investment intermediary from a Member State, which pursues the specified activities in the territory of the Republic of Bulgaria through a branch;

2. has own funds amounting as a minimum to BGN 1,500,000 and meets the capital adequacy requirements to investment intermediaries;

3. the licence, activities or transactions thereof shall not be limited to an extent that would interfere with or prevent the performance of the obligations provided for in this Act or in the depositary services agreement;

4. (amended, SG No. 15/2018, effective 16.02.2018) in the most recent 12 months, no enforcement administrative measures

have been applied to it in relation to the activities of persons under Article 12 of the Markets in Financial Instruments Act; no receiver has been appointed to it, and it has not been penalised for any breach of the requirements under this Act, or for a gross violation, or systematic violations of the Markets in Financial Instruments Act;

5. possesses human and IT resources for efficient performance of its depositary functions and obligations in accordance with the requirements of this Act and the instruments for its application;

6. (new, SG No. 76/2016, effective 30.09.2016) has the infrastructure required to safe-keep the financial instruments that can be registered in a financial instruments account opened and kept by the depositary;

7. (new, SG No. 76/2016, effective 30.09.2016) establishes adequate policies and procedures sufficient to ensure compliance by the depositary, including its management and supervisory bodies and employees, with their obligations under this Act;

8. (new, SG No. 76/2016, effective 30.09.2016) has reliable administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective controls and safeguards for the information processing systems;

9. (new, SG No. 76/2016, effective 30.09.2016) maintains and implements effective organisational and administrative arrangements with a view to taking appropriate action to prevent conflicts of interest;

10. (new, SG No. 76/2016, effective 30.09.2016) stores information regarding all services, activities and transactions performed thereby; such information must be sufficient to allow the Commission and the Deputy Chairperson to exercise their supervisory powers under this Act;

11. (new, SG No. 76/2016, effective 30.09.2016) ensures continuity and regularity in the performance of its depositary functions, using appropriate and proportionate systems, resources and procedures, including in order to carry out its business as a depositary.

(3) (Renumbered from Paragraph 2, amended, SG No. 109/2013, effective 20.12.2013, SG No. 76/2016, effective 30.09.2016) The members of the management and supervisory body of the investment intermediary referred to in Paragraph (2) shall at all times be of good repute and have appropriate knowledge, skills and experience.

(4) (New, SG No. 76/2016, effective 30.09.2016) The management and supervisory body of the investment intermediary referred to in Paragraph (2) shall as a whole have the required knowledge, skills and experience allowing them to understand the operations of the depositary, including the main risks.

(5) (New, SG No. 76/2016, effective 30.09.2016) Each member of the management and supervisory body of the investment intermediary referred to in Paragraph (2) and each official in the senior management staff of the intermediary shall be required to act honestly and in good faith.

(6) (Renumbered from Paragraph 3, amended, SG No. 109/2013, effective 20.12.2013, renumbered from Paragraph 4, amended, SG No. 76/2016, effective 30.09.2016) The Bulgarian National Bank shall notify upon request and on an ongoing basis the Commission of any measure or penalty imposed, restricting the licence, transactions or operations of the banks designated as depositaries to the extent to inhibit or make impossible the discharge of its obligations set out herein or in the contract for depositary services.

Article 35a. (New, SG No. 76/2016, effective 30.09.2016) (1) The management company shall keep the assets of each collective investment scheme it manages in a single depositary.

(2) The relations between the management company and the depositary shall be regulated by a written contract for depositary services. The contract shall set out the terms, conditions and procedure for the provision of information between the management company and the depositary, necessary for the depositary for the performance of its functions in respect of each collective investment scheme in accordance with this Act and its implementing instruments.

(3) The depositary shall be obliged to:

1. ensure that the issue, sale, redemption and cancellation of the units of the collective investment scheme are carried out in accordance with the law and the statute, respectively with the rules of the collective investment scheme;

2. ensure that the value of the units of the collective investment scheme is calculated in accordance with the law and the statute,

respectively with the rules of the collective investment scheme;

3. carry out regular reconciliation between accounts kept by the management company and the depositary in respect of the assets of the collective investment scheme, and in the cases of Article 37a – also with the accounts kept by the third party;

4. ensure that all cash in favour of the collective investment scheme, arising from transactions involving its assets, is transferred within the usual time limits;

5. ensure that the income of the collective investment scheme is allocated in accordance with the law and the statute, respectively with the rules of the collective investment scheme;

6. report at least once a month to the management company on the entrusted assets and the effected operations involving such assets, including by providing a full inventory of the assets of the collective investment scheme, by the 5th day of the following month;

7. (new, SG No. 16/2022) verify whether the management company has adopted and implemented procedures for conducting liquidity stress tests of the collective investment scheme.

(4) (Supplemented, SG No. 102/2019) The depositary shall monitor the cash flows of the collective investment scheme, including check whether all payments made by investors or on their behalf and at their expense at the time of subscribing for units of the collective investment scheme have been received and whether all cash amounts of the collective investment scheme are accounted for in accounts, which:

1. are opened in the name of the collective investment scheme or in the name of the management company acting in the name and on behalf of the collective investment scheme, or in the name of the depositary acting in the name and on behalf of the collective investment scheme;

2. are opened with a central bank, a bank authorised under the procedure established by the Credit Institutions Act, a bank authorised in a EU Member State, or a bank authorised by a third country, and

3. are managed in compliance with Paragraph (5).

(5) The depositary shall manage the cash of the collective investment scheme by:

1. keeping records and keeping accounts in a manner that allows at any time and without delay to distinguish between the held assets of the collective investment scheme and the assets held for any other client, and the own assets of the depositary;

2. keeping records and keeping accounts in a way that ensures their accuracy;

3. carrying out regular reconciliation between accounts kept by the management company and the depositary in respect of the assets of the collective investment scheme, and in the cases of Article 37a – also with the accounts kept by the third party;

4. taking the measures required to ensure that all cash of the collective investment scheme deposited with a third party can be clearly distinguished from the cash of the depositary and this third party through individual accounts of account holders, kept by the third party, or equivalent measures achieving the same level of protection;

5. taking the measures required to ensure that the cash of the collective investment scheme in accounts with an entity specified in Item 2 of Paragraph (4) is held in an individual account or accounts separately from all accounts for keeping cash of the entity, in whose name the assets of the collective investment scheme are kept;

6. introducing proper organisation and undertaking the actions required to minimise the risk of loss or reduction as a result of abuse, fraud, mismanagement, improper keeping and storing of records, including negligence.

(6) Where cash accounts are opened in the name of a depositary, acting in the name and on behalf of a collective investment scheme, no cash of an entity referred to in Item 2 of Paragraph (4) or own cash of the depositary shall be accounted into these accounts.

(7) The financial instruments of the collective investment scheme shall be entrusted for safekeeping to a depositary, and the latter shall:

1. safe-keep all dematerialised financial instruments, registered in an account for financial instruments opened and kept by the

depositary, and all other financial instruments that can be physically delivered to the depositary (financial instruments in custody);

2. ensure that all dematerialised financial instruments are registered in an account for financial instruments opened and kept by the depositary in compliance with the requirements of Paragraph (5), in individual accounts opened in the name of the management company acting in the name and on behalf of the collective investment scheme, in a manner that allows at any time to identify such instruments as financial instruments of a specific collective investment scheme.

(8) With regard to assets other than these specified in Paragraph (7), the depositary shall:

1. check whether the collective investment scheme is the owner of these assets by establishing whether the collective investment scheme is the owner based on information and documents provided by the management company and based on other evidence, if such evidence has been provided by third parties;

2. keep and update a register of the assets with regard to which it is satisfied that they are property of the collective investment scheme.

(9) The assets with regard to which the depositary is the custodian may not be used by the depositary or a third party, to which custodian functions have been delegated, for their account. Use within the meaning of the previous sentence shall mean any transaction involving assets in custody, including assignment, establishing of a pledge, sale and lending.

(10) The use under Paragraph (9) of the assets with regard to which the depositary is the custodian shall be allowed only under the following conditions:

1. it is carried out for the account of the collective investment scheme;

2. the depositary acts on the instructions of the management company acting in the name and on behalf of the collective investment scheme;

3. the use is in the interest of the collective investment scheme and of the holders of units or shares, and

4. the transaction is secured with high-quality and liquid assets, obtained by the collective investment scheme under a contract with assignment of rights.

(11) The market value of the collateral referred to in Item 4 of Paragraph (10) may not be lower than the market value of the used assets plus the premium.

Article 36. (1) (Amended, SG No. 109/2013, effective 20.12.2013, SG No. 76/2016, effective 30.09.2016) The depositary shall not be liable for its obligations to its creditors with the assets of the collective investment scheme.

(2) (New, SG No. 109/2013, effective 20.12.2013, amended and supplemented, SG No. 76/2016, effective 30.09.2016) In the event or bankruptcy of the depositary and/or the third party under Article 37a or an equivalent procedure pursuant to the legislation of the corresponding Member State, and in the event that a depositary bank is placed under special supervision, the assets of the collective investment scheme may not be distributed to or cashed in favour of creditors of this depositary and/or the third party under Article 37a. The receiver, trustee in bankruptcy or the temporary trustee in bankruptcy of the depository respectively, shall be obliged, within a term of not more than 5 days from the replacement of the depositary, to transfer the assets of the collective investment scheme into the new depositary in accordance with the management company's application.

(3) (Renumbered from Paragraph 2, amended, SG No. 109/2013, effective 20.12.2013) The depositary shall assist the collective investment scheme in obtaining information and participating in the general meetings of the issuers in whose financial instruments the collective investment scheme has invested and shall take other commitments associated with the entrusted assets in accordance with the concluded contract. The remuneration of the depositary may not exceed the usual consideration for the services provided.

(4) (Renumbered from Paragraph 3, amended, SG No. 109/2013, effective 20.12.2013, SG No. 76/2016, effective 30.09.2016) At the request of the Commission or the Deputy Chairperson, the depositary shall grant access to all the information available to it in connection with the discharge of its obligations and required by the Commission or the Deputy Chairperson, respectively the competent authorities of the Member State of origin of the collective investment scheme or the management company.

(5) (Renumbered from Paragraph 4, amended, SG No. 109/2013, effective 20.12.2013, SG No. 76/2016, effective 30.09.2016) In the event that the depositary of a collective investment scheme originating in the Republic of Bulgaria originates in another Member State, the Commission may request from the competent authority of the Member State in which the depositary originates to provide the information it holds regarding the depositary. In the event that the Commission is the competent authority by origin of the depositary, it shall provide in a timely manner upon request the information under Paragraph (4), received from the depositary, to the competent authority of the country in which the depositary operates.

Article 37. (Amended, SG No. 109/2013, effective 20.12.2013, SG No. 76/2016, effective 30.09.2016) (1) The depositary shall be liable to the collective investment scheme and to the unit-holders of the collective investment scheme for any damage caused by it or by the third party under Article 37a in the event of loss of financial assets in custody.

(2) In the event of losing any of the financial instruments in its custody, the depositary shall recover to the collective investment scheme a financial instrument of the same type or its cash equivalent without undue delay.

(3) The depositary shall not be liable for losses if it proves that they result from an external event beyond its control, the consequences of which are inevitable regardless of the measures taken to prevent them.

(4) The depositary shall be liable to the collective investment scheme and to the unit-holders for any damage suffered by them as a result of its negligence or wilful default on the obligations of the depositary under this Act by employees of the depositary or members of its management or supervisory bodies.

(5) The delegation of powers in accordance with the procedure established by Article 37a does not exempt the depositary from its liability under Paragraphs (1) – (4). The liability of the depositary cannot be excluded or limited by agreement.

(6) Any agreement concluded contrary to Paragraph (5) shall be null and void.

(7) Unit-holders can hold the depositary liable directly or indirectly through the management company, provided that this does not result in the payment of compensations which have already been paid or in unequal treatment of unit-holders in the collective investment scheme.

Article 37a. (New, SG No. 76/2016, effective 30.09.2016) (1) The depositary may not delegate to third parties the functions specified in Paragraphs (3) – (6) of Article 35a.

(2) The depositary may conclude a contract to delegate to a third party the functions specified in Paragraphs (7) and (8) of Article 35a, provided that the following conditions are fulfilled:

1. the functions are not delegated for the purpose of circumventing regulatory requirements;

2. the depositary can prove that an objective reason for the delegation exists;

3. the depositary has exercised due competence, care and diligence in the selection and appointment of any third party, to which it wishes to delegate part of its functions, and will demonstrate the necessary competence and diligence in the periodic review and ongoing monitoring of any third party, to which is has delegated some of its functions, and of the arrangements with such third party in respect of the delegated functions.

(3) The functions specified in Paragraphs (7) and (8) of Article 35a may be delegated by the depositary to a third party only where such third party continuously in the course of the implementation of the delegated tasks:

1. has a legal and organisational structure and expertise that are relevant and appropriate to the nature and complexity of the entrusted assets of the collective investment scheme;

2. with regard to the custodial activities specified in Item 1 of Article 35a (7), the third party is subject to:

(a) prudential regulation, including in relation to minimum capital requirements and supervision in the Member State of origin of the third party;

(b) periodic external audit, which ensures that the third party is safekeeping the financial instruments entrusted to it;

3. segregates the assets of its customers from its own assets and the assets of the depositary in a manner that allows at any time the assets to be accurately identified as assets of the depositary's clients;

4. takes all necessary actions to ensure that in case of insolvency of the third party the assets of the collective investment scheme under his custody cannot be distributed to or cashed in favour of the creditors of the third party, and

5. complies with the obligations and adheres to the prohibitions specified in Article 25 and Article 35a, Paragraphs (2), (9), (10) and (11).

(4) Regardless of Paragraph (3), Item 2, letter (a), where the law of a third country requires that certain financial instruments be held in custody by a local legal entity and no local entity satisfies the requirements for delegation provided for in Paragraph (3), Item 2, letter (a), the depositary may delegate its functions to such local legal entity only to the extent that it is required by the law of a third country, and only as long as there are no local entities that satisfy the delegation requirements, and only when:

1. the investors in the respective collective investment scheme have been duly informed prior to making their investments that this delegation is required due to legal restrictions in the law of the third country, of the circumstances justifying the delegation, and of the risks arising from such delegation, and

2. the management company acting in the name of the collective investment scheme has given instructions to the depositary to delegate the custody of such financial instruments to a local third party.

(5) The third party can also delegate the functions specified in Paragraphs (7) and (8) of Article 35a while complying with the requirements set out of Paragraphs (2) – (4) and (7). Paragraphs (1) – (3) of Article 37 shall also apply to the third party under the first sentence.

(6) (Amended, SG No. 20/2018, effective 6.03.2018) For the purposes of this Article, the provision of services by securities settlement systems with settlement finality under Chapter Eight of the Payment Services and Payment Systems Act shall not be regarded as delegation of custodial functions.

(7) Within 7 days of concluding a contract with a third party, the depositary shall notify the Commission of the conclusion and the material terms and conditions of the contract.

(8) (New, SG No. 102/2019) The depositary shall ensure and apply adequate and effective internal channels and procedures for sending signals by its employees about actual or potential violations of this Act and the instruments for its application.

Chapter Six

OBLIGATIONS REGARDING THE INVESTMENT POLICY OF COLLECTIVE INVESTMENT SCHEMES

Article 38. (1) Investments of collective investment schemes may comprise only:

1. (amended, SG No. 15/2018, effective 16.02.2018) transferable securities and money market instruments admitted to or traded on a regulated market under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act;

2. (amended, SG No. 15/2018, effective 16.02.2018) transferable securities and money market instruments traded on a regulated market other than that under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act, in the Republic of Bulgaria or in another Member State, operating regularly, recognised and publicly accessible, as well as securities and money market instruments issued by the Republic of Bulgaria or another Member State;

3. (supplemented, SG No. 95/2017, effective 1.01.2018) transferable securities and money market instruments admitted to trading on an official market of a stock exchange or traded on another regulated market in a third country, operating regularly, recognised and publicly accessible, which are included in a list approved by the Commission by proposal of the Deputy Chairperson, or which are set out in the statute, the rules of the collective investment scheme respectively;

4. (supplemented, SG No. 95/2017, effective 1.01.2018) recently issued transferable securities with the conditions of their issue including an obligation to request admission, and within a time limit not exceeding one year from their issue, be admitted to trading on an official market of a stock exchange or another regulated market operating regularly, recognised and publicly accessible, which are included in a list approved by the Commission by proposal of the Deputy Chairperson, or which are set out in the statute, the rules of the collective investment scheme respectively;

5. units of collective investment schemes and/or other collective investment undertakings which meet the conditions of Article 4, Paragraph 1, no matter whether their seat is in a Member State, provided that:

a) the other collective investment undertakings meet the following conditions:

aa) (amended, SG No. 95/2017, effective 1.01.2018) have been granted an authorisation for pursuit of activity by law in accordance with which supervision is exercised over them, which the Commission by proposal of the Deputy Chairperson has decided as equivalent to the supervision laid down in Community law and cooperation between supervision authorities is sufficiently ensured;

bb) the level of protection of the unit-holders in these, including the rules for distribution of assets, for use and granting of loans for transferable securities and money market instruments, as well as for sale of securities and money market instruments not held by the collective investment undertakings, are equivalent to the rules and protection of the unit-holders of collective investment schemes;

cc) disclose periodically information by preparing and publishing annual and semi-annual reports, providing opportunity for assessment of the assets, liabilities, income and effected operations in the reporting period, and

b) not more than 10 per cent of the assets of collective investment schemes or other collective investment undertakings intended for acquisition may be, in accordance with their instruments of incorporation or their rules, invested in total in units of other collective investment undertakings or in other collective investment schemes;

6. (amended, SG No. 95/2017, effective 1.01.2018) deposits at credit institutions, payable at demand or in respect whereof the right for withdrawal at any time exists, and with maturity date not exceeding 12 months; credit institutions in a third country shall observe rules and shall be subject to supervision as the Commission by proposal of the Deputy Chairperson has decided as equivalent to those set out in Community law;

7. derivative financial instruments, including equivalent cash-settled instruments traded on regulated markets referred to in items 1 - 3;

8. derivative financial instruments traded on OTC markets, provided that:

a) their underlying assets are instruments under Paragraph 1, financial indices, interest indices, currencies or foreign exchange rates in which the collective investment scheme may invest in accordance with its investment policy set out in the statute, the rules respectively;

b) (supplemented, SG No. 95/2017, effective 1.01.2018) the counterparty to the transaction in such derivative financial instruments is an institution subject to prudential supervision, and meeting the requirements approved by the Commission by proposal of the Deputy Chairperson;

c) are subject to reliable and verifiable valuation on a daily basis and, at the initiative of the collective investment scheme, may be sold, liquidated or closed by an offsetting transaction at any time at fair value;

9. money market instruments other than those traded on a regulated market and referred to in § 1, item 6 of the supplementary provisions, if supervision is exercised over the issue or the issuer of such instruments, for the purpose of protecting investors or savings, provided that they are:

a) issued or guaranteed by central, regional or local authorities in the Republic of Bulgaria or in another Member State, by the Bulgarian National Bank, by the central bank of another Member State, by the European Central Bank, by the European Union or the European Investment Bank, by a third country, and in the cases of a Federal State, by one or more of the members of the Federal State, by a public international organisation to which one or more Member States belong;

b) issued by an issuer whose issue of securities is traded on a regulated market under items 1 - 3;

c) issued or guaranteed by a person subject to prudential supervision, in accordance with criteria defined by Community law, or by a person which is subject to and complies with rules adopted by the relevant competent authority, which are at least as stringent as those defined by Community law;

d) (supplemented, SG No. 95/2017, effective 1.01.2018) issued by issuers other than those referred to in letters "a", "b" and "c", meeting criteria approved by the Commission by approval of the Deputy Chairperson and ensuring that:

aa) investments in such instruments are subject to investor protection equivalent to that laid down in letters "a", "b" and "c";

bb) the issuer is a company whose capital and reserves amount to at least the lev equivalent of EUR 10,000,000, which presents and publishes annual financial statements in accordance with Fourth Council Directive of 25 July 1978, based on Article 54, § 3, "g" of the Treaty on the annual accounts of certain types of companies (78/660/EEC) or Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of the International Accounting Standards, and is an entity dedicated to financing a group of companies which includes one or several companies admitted to trading on a regulated market, or is an entity dedicated to financing securitisation vehicles which benefit from banking liquidity line.

(2) Collective investment schemes may not invest more than 10 per cent of their assets in transferable securities and money market instruments other than those referred to in Paragraph 1.

(3) Collective investment schemes may not acquire precious metals and certificates representing them.

(4) Collective investment schemes may hold ancillary liquid assets, the requirements for which are set out in an ordinance.

Article 39. Additional requirements to the conditions to be met for the securities, money market instruments and the other assets under Article 38 shall be set out in an ordinance.

Article 40. (1) (Supplemented, SG No. 22/2015, effective 24.03.2015) The management company shall accept and apply the risk management rules to ensure ongoing monitoring, control and assessment of the risk of each position at any time and its contribution to the overall risk profile of the portfolio of each collective investment scheme managed thereby. When assessing the creditworthiness of assets of the assets of the collective investment schemes, managed by it the management company shall collect and analyze any relevant information, required for performance of this assessment and must not rely solely and mechanically on credit ratings, assigned by credit rating agencies under Article 3, para.1, letter "b" of Regulation of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (OJ, L 302/1 of 17 November 2009).

(2) (New, SG No. 22/2015, effective 24.03.2015) When assessing compliance with the requirements under para. 1 and of the adequacy of the methods of credit evaluation, applied by the management company, the Deputy Chairperson shall take into account the nature, scope and complexity of the activities of the collective investment scheme, assess the usage of references to credit ratings and if required, take measures for limiting over-reliance on credit ratings.

(3) (Renumbered from Paragraph 2, SG No. 22/2015, effective 24.03.2015) Where the collective investment scheme invests in derivative financial instruments, it shall apply rules for accurate and independent assessment of the value of OTC derivatives.

Article 41. (1) (Previous Article 41, SG No. 21/2012) The management company shall provide the Commission with periodic information about the types of derivative financial instruments in which it invests, the major risks associated with underlying instruments, the quantative limits and the methods which are chosen in order to estimate the risks associated with transactions in derivative instruments for each collective investment scheme managed thereby.

(2) (New, SG No. 21/2012) The Commission shall provide access to the entire information received under paragraph 1 and summarized for all collective investment schemes for which the Republic of Bulgaria is the home Member State, to the European Securities and Markets Authority in accordance with Article 35 of Regulation (EU) No. 1095/2010 and to the European Systemic Risk Board in accordance with Article 15 of Regulation (EU) No. 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (OJ, L 331/1 of 15 December 2010).

Article 42. (1) The collective investment scheme may employ techniques and instruments associated with transferable securities and money market instruments for the purposes of efficient management of the portfolio of investments, if this is set out in the statute, the rules of the collective investment scheme respectively, as well as in its prospectus. The types of techniques and instruments and the conditions for their employment shall be determined in an ordinance.

(2) If the techniques and instruments under Paragraph 1 concern the use of derivative instruments, the conditions and limits under this Act and the instruments for its application shall apply to such use.

(3) The use of the techniques and instruments under Paragraph 1 shall not lead to a change in the investment objectives or to higher risk profiles of collective investment schemes than those laid down in their instruments of incorporation, prospectuses or

the rules approved by the Commission.

(4) The techniques and instruments under Paragraph 1 shall not be considered transferable securities.

Article 43. (1) The total value of the exposure of a collective investment scheme relating to derivative financial instruments may not be higher than the net value of its assets.

(2) (Amended, SG No. 109/2013, effective 20.12.2013) A collective investment scheme may invest in derivative financial instruments if this is explicitly laid down in its investment policy, in compliance with the requirements under Article 45, Paragraphs 8, 10 and 11, and provided that the exposure to the underlying assets does not exceed in aggregate the investments limits under Article 45.

(3) Where a collective investment scheme invests in derivative financial instruments based on indices, these instruments shall not be combined for the purposes of the investment limits under Article 45.

(4) Where transferable securities or money market instruments embed a derivative, the exposure of the collective investment scheme to that derivative shall be taken into account in the calculation of the aggregate exposure under Paragraph 1.

(5) The exposure in derivative financial instruments shall be calculated, taking into account the current value of the underlying assets, the risk of the counterparty to the transaction in the derivative financial instrument, future market fluctuations, and the necessary period of time for the closing of the position.

Article 44. The criteria for assessing the adequacy of the risk management process under Article 40, Paragraph 1, to be employed by the investment company and the management company in regard to every managed collective investment scheme, the detailed rules for accurate and independent assessment of the value of OTC derivative instruments, the detailed rules and time limits for submission to the Commission in regard to the content of the information referred to in Article 41, the procedure for the submission of such information by the management company to the Commission, as well as the additional requirements to the content of the risk management rules shall be laid down in an ordinance.

Article 45. (1) A collective investment scheme may not invest more than 5 per cent of its assets in transferable securities or money market instruments issued by the same body.

(2) A collective investment scheme may not invest more than 20 per cent of its assets in deposits made with the same body under Article 38, Paragraph 1, item 6.

(3) The risk exposure of a collective investment scheme to a counterparty in an OTC financial derivative may not exceed either of the following thresholds:

1. ten per cent of the assets where the counterparty is a credit institution under Article 38, Paragraph 1, item 6, or

2. five per cent of the assets - in other cases.

(4) A collective investment scheme may invest up to 10 per cent of its assets in transferable securities or money market instruments issued by the same body, provided that the total value of the investments in each of the bodies in which it invests more than 5 per cent of its assets shall not exceed 40 per cent of the assets of the collective investment scheme. The restriction under sentence one shall not apply to deposits with credit institutions which are subject to prudential supervision, as well as to the transactions in OTC financial derivative instruments with such institutions.

(5) (Amended, SG No. 102/2019) Notwithstanding the restrictions under Paragraphs 1 – 3, the collective investment scheme may not combine investments in transferable securities or money market instruments issued by a single body, the deposits with that body and the exposure to the same body arising from transactions in OTC derivative financial instruments, where as a result of such combination the total value of said investments will exceed 20 per cent of its assets.

(6) The collective investment scheme may invest up to 35 per cent of its assets in transferable securities and money market instruments issued by the same body, if the securities and the money market instruments are issued or guaranteed by the Republic of Bulgaria, by another Member State, by their regional or local authorities, by a third country or a public international organisation to which at least one Member State belongs.

(7) (New, SG No. 102/2019, amended, SG No. 25/2022, effective 8.07.2022) A collective investment scheme may invest up to 25 per cent of the assets thereof in covered bonds. The total amount of the investments under the first sentence in excess of

the limit under Paragraph 1 for exposures to an individual issuer may not exceed 80 per cent of the assets of the collective investment scheme.

(8) (Renumbered from Paragraph (7), SG No. 102/2019) The transferable securities or money market instruments under Paragraph 6 shall not be taken into account for the purposes of the restriction under Paragraph 4.

(9) (New, SG No. 109/2013, effective 20.12.2013, repealed, renumbered from Paragraph (8), amended, SG No. 102/2019) Investment restrictions under Paragraphs 1 – 7 may not be combined where as a result of such combination the total value of the investments of a collective investment scheme in transferable securities or money market instruments issued by the same body, the deposits with that body and the exposure to the same body arising from transactions in derivative financial instruments in accordance with Paragraphs 1 – 7 will exceed 35 per cent of its assets.

(10) (Renumbered from Paragraph (9), amended, SG No. 109/2013, effective 20.12.2013, SG No. 102/2019) The companies belonging to one group for the purposes of preparation of consolidated financial statements in accordance with the recognised accounting standards shall be considered one and the same body for the purpose of applying the restrictions under the foregoing Paragraphs.

(11) (Renumbered from Paragraph (10), SG No. 109/2013, effective 20.12.2013) The total value of the investments in transferable securities or money market instruments issued by the companies within the group may not exceed 20 per cent of the value of the assets of the collective investment scheme.

Article 46. (1) (Supplemented, SG No. 95/2017, effective 1.01.2018) Besides the restrictions set out in Article 49, the collective investment scheme may invest in shares and debt securities issued by the same body, to a maximum of 20 per cent of its assets, if according to the statute or the rules of the collective investment scheme the investment policy provides for replication of the composition of an index of shares or of bonds, recognised as acceptable by the Commission by proposal of the Deputy Chairperson in accordance with the following criteria:

1. the composition of the index is sufficiently diversified;

2. the index represents an adequate benchmark for the market to which it refers; and

3. it is published in an appropriate manner.

(2) Additional requirements to the composition of the index, benchmark and publication of information shall be set out in an ordinance.

Article 47. (1) (Supplemented, SG No. 95/2017, effective 1.01.2018) Subject to compliance with the principle of risk spreading, the collective investment scheme may exceed the restriction under Article 45, Paragraph 6 and invest up to 100 per cent of its assets in transferable securities and money market instruments issued or guaranteed by the Republic of Bulgaria or by another Member State, by one or several regional or local authorities, by a third country or a public international organisation to which at least one Member State belongs, provided that at judgement of the Commission by proposal of the Deputy Chairperson the unit-holders of the licensed collective investment scheme have protection of their rights equivalent to the protection enjoyed by the unit-holders of a collective investment scheme observing the restrictions under Article 45.

(2) The collective investment scheme shall lay down that opportunity in the statute, its rules respectively, stating in detail the Member States, the regional or local authorities or the public international organizations issuing or guaranteeing the securities and money market instruments in which it intends to invest more than 35 per cent of its assets.

(3) The information under Paragraph 2 shall be contained in the prospectus, the key investor information and in all marketing materials.

(4) In the cases under Paragraph 1 the collective investment scheme shall possess securities of at least 6 separate issues and the value of the investment in each of them may not exceed 30 per cent of its assets.

Article 48. (1) (Amended, SG No. 102/2019) A collective investment scheme may not invest more than 10 per cent of its assets in units of one and the same collective investment scheme or another collective investment undertaking under Article 38, Paragraph 1, Item 5, regardless of whether its seat is in a Member State or not.

(2) The total amount of investments in units of collective investment undertakings other than a collective investment scheme may not exceed 30 per cent of the assets of the collective investment scheme.

(3) (Amended and supplemented, SG No. 102/2019) Where a collective investment scheme invests in units of other collective investment schemes or other collective investment undertakings that are managed directly or by delegation by its management company or by another company with which its management company is connected by common management or control, or by a substantial direct or indirect holding, its management company or that other company may not collect fees from the investing collective investment scheme upon the sale or reverse repurchase of the units of the collective investment schemes or the other collective investment undertakings in which it invests.

(4) A collective investment scheme investing a substantial part of its assets in other collective investment schemes or in other collective investment undertakings shall disclose in its prospectus the maximum amount of the management fees that may be charged by the collective investment scheme itself and by the other collective investment schemes or collective investment undertakings in which it intends to invest. Information about the maximum percentage of charged fees under sentence one from the investing collective investment scheme and the other undertakings in which it invests shall be presented in its annual financial statements.

Article 49. (1) (Supplemented, SG No. 102/2019) A management company acting on account of all collective investment schemes or other collective investment undertakings managed by it may not acquire voting shares which would enable it to exercise significant influence over the management of an issuing body. Significant influence within the meaning of sentence one shall exist in the cases of holding 20 per cent or more of the votes in the general meeting of an issuer, which shall be set in accordance with Articles 145 and 146 of the Public Offering of Securities Act.

(2) A collective investment scheme may not acquire more than:

1. ten per cent of the non-voting shares of a single issuing body;

2. ten per cent of the bonds or other debt securities of a single issuing body;

3. twenty five per cent of the units of a single collective investment scheme or other collective investment undertaking which meets the requirements of Article 4, Paragraph 1;

4. ten per cent of the money market instruments issued by a single body.

(3) (Amended, SG No. 102/2019) The restrictions under Paragraph 2, Items 2, 3 and 4 shall not apply if at the time of acquisition of the referred to instruments the collective investment scheme cannot calculate the gross amount of the debt securities, of the money market instruments or the net value of the securities issued.

Article 50. (1) The limits under this chapter shall not be mandatory for application where the collective investment scheme exercises rights of subscription arising from transferable securities and money market instruments which form part of its assets.

(2) While complying with the principle of risk spreading, collective investment schemes that have been recently authorised may derogate from Article 45 - Article 48 for 6 months from obtaining the authorisation.

(3) In the event of mergers and acquisitions of collective investment schemes, if for the receiving collective investment scheme the Commission is the competent authority, such collective investment scheme may derogate from the limits under Article 45 - Article 48, without deviating substantially from them, for up to 6 months from the date of registration of the merger or acquisition in the relevant register.

Article 50a. (New, SG No. 109/2013, effective 20.12.2013) Where a collective investment scheme consists of individual investment sub-funds, the requirements under this chapter shall apply individually to each investment sub-fund.

Article 51. (*) (Amended, SG No. 76/2016, effective 30.09.2016) In the event of deviation from the investment restrictions under this chapter for reasons beyond the control of the collective investment scheme or as a result of exercising subscription rights, the collective investment scheme shall with priority, but not later than 6 months from occurrence of the deviation, bring its assets in line with the investment limits through sale transactions, taking into account the interests of the unit-holders.

(*) Editor’s Note. According to § 47, Item 5 to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020: the period referred to in Article 51

of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be extended to seven months from the occurrence of the violation."

Article 51a. (New, SG No. 21/2021) Where an investment or management company has a securitisation position within the meaning of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No. 1060/2009 and (EU) No. 648/2012 (OJ, L 347/35 from 28.12.2017) hereinafter referred to as "Regulation (EU) 2017/2402" and the securitisation does not comply with the requirements provided in Regulation (EU) 2017/2402, they shall act act in the best interests of investors and take action to comply with the requirements of the regulation where necessary.

Article 52. (*) (Supplemented, SG No. 109/2013, effective 20.12.2013) In the cases under Article 51 the collective investment scheme, within 7 days from occurrence of the deviation, shall notify the Commission by providing information about the reasons for its occurrence and the measures taken to rectify it. Information about the measures taken under the first sentence shall not be provided if the deviation was eliminated by the time of submission of the notification.

(*) *Editor's Note.* According to § 47, Item 4 to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020: the period referred to in Article 2020 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be extended to 52 days from the commission of the violation."

Chapter Seven
OBLIGATIONS FOR PROVIDING INFORMATION TO INVESTORS

Article 53. (1) Public offering of units of a collective investment scheme is allowed if a prospectus is published in the manner and with the content laid down in this Act and the instruments for its application.

(2) The prospectus may be published provided that the Commission has granted a licence for pursuit of activity as investment company, authorisation for common fund organisation and management respectively.

Article 53a. (New, SG No. 109/2013, effective 20.12.2013, SG No. 15/2018, effective 16.02.2018) Shares or units of a collective investment scheme shall be admitted to trading in a regulated market under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act, or a multilateral trading system under § 1, item 17 of the Additional Provisions of the Markets in Financial Instruments Act, based on a prospectus.

Article 54. (1) The prospectus shall contain the information which is necessary for investors to be able to make an informed judgement of the investment proposed to them, including the risks attached thereto. The prospectus shall also contain information about the risk profile of the collective investment scheme, presented in a clear and easily understandable form, regardless of the instruments in which it invests.

(2) (New, SG No. 109/2013, effective 20.12.2013) The prospectus of a collective investment scheme consisting of individual investment sub-funds shall include information about the investment sub-funds, the investment strategies according to which the assets of each investment sub-fund are invested, as well as of the specifics of implementation of the collective investment scheme's investment policy to each of these sub-funds.

(3) (Renumbered from Paragraph 2, supplemented, SG No. 109/2013, effective 20.12.2013) The prospectus shall contain

information about the categories of assets in which the collective investment scheme may invest, respectively the specifics of investments of each investment sub-fund, if the collective investment scheme consists of individual investment sub-funds, including:

1. whether it is authorised to effect transactions in derivative financial instruments under the statute, the rules of the collective investment scheme respectively; whether such transactions may be effected for the purpose of hedging risks or for the purpose of achieving the investment objectives of the collective investment scheme;

2. the possible consequences from the use of derivative financial instruments for the risk profile of the collective investment scheme.

(4) (Renumbered from Paragraph 3, SG No. 109/2013, effective 20.12.2013) Where the collective investment scheme invests primarily in categories of assets other than transferable securities or money market instruments, or replicates an index comprising shares and debt securities, in accordance with Article 46, the prospectus and the marketing announcements shall state explicitly that fact, in a manner that draws the investor attention.

(5) (Renumbered from Paragraph 4, SG No. 109/2013, effective 20.12.2013) If the net value of the assets of the collective investment scheme could be subject to fluctuations due to the composition or techniques for portfolio management, the prospectus and the marketing announcements shall state explicitly that fact in a manner that draws the investor attention.

(6) (Renumbered from Paragraph 5, SG No. 109/2013, effective 20.12.2013) The management company, at the request of investors, shall provide additional information about quantitative limits applied in managing the risk of the collective investment scheme, the methods chosen for compliance with such limits and about recent changes in risks and profitability of major categories of instruments.

(7) (New, SG No. 109/2013, effective 20.12.2013) The prospectus under Article 53a shall also include:

1. the portfolio transparency policy, indicating where information about the portfolio can be obtained, including where the indicative net asset value is published;

2. (amended, SG No. 76/2016, effective 30.09.2016) information if the exchange-trade fund is actively or passively managed, and if it is actively managed – also information as to how its investment policy will be implemented, including with regard of exceeding the effectiveness of a specific index;

3. statement of the need for transactions in the secondary market to be concluded with the intermediation of a third party (investment intermediary) and of the possibility for the current market price to differ from the net value of the assets - in case of limitation of redemption, including down to a specific category of investors and/or for a specified minimum number of shares or units;

4. information on the activities investors should pursue in the cases under Article 24c, Paragraphs 2, and any potential costs;

5. (new, SG No. 76/2016, effective 30.09.2016) information regarding the possibility of issuing and redemption of units in exchange for financial instruments from the passively managed exchange-traded funds and the conditions for this.

(8) (New, SG No. 76/2016, effective 30.09.2016) The prospectus shall also contain:

1. details regarding the current remuneration policy, which include at least a description of the method of calculation of the remuneration and incentives, the names and titles of the persons responsible for the distribution of remuneration and incentives, as well as the composition of the remuneration committee, if any, or

2. a summary of the remuneration policy and an indication of the website where details are announced regarding the current remuneration policy and the bonuses, which include at least a description of the method of calculation of the remuneration and incentives, the names and titles of the persons responsible for the distribution of remuneration and incentives, the composition of the remuneration committee, if any, and a statement that a copy of the remuneration policy will be provided in a hard copy free of charge upon request.

(9) (New, SG No. 76/2016, effective 30.09.2016) The information specified in Paragraph (8) shall also be included in the prospectus referred to in Article 53a.

(10) (New, SG No. 102/2019) The prospectus of a collective investment scheme that has different unit classes shall contain a

description of the characteristics specific for each class, with a clear statement of the differences between individual classes.

(11) (Renumbered from Paragraph 6, SG No. 109/2013, effective 20.12.2013, renumbered from Paragraph 8, SG No. 76/2016, effective 30.09.2016, renumbered from Paragraph (10), SG No. 102/2019) The minimum requirements to the content of the prospectus shall be set out in an ordinance.

Article 55. The statute, the rules of the collective investment scheme respectively, shall form an integral part of the prospectus, in case the investors are provided with information about the place in which these are available in every Member State in which the units of the collective investment scheme are offered or can be sent at their request.

Article 56. (1) (Amended, SG No. 15/2018, effective 16.02.2018) In the event of a change of the essential data included in the prospectus of the collective investment scheme, within 14 days from occurrence of the change, the prospectus shall be updated and within the same time limit shall be submitted to the Commission.

(2) (Amended, SG No. 109/2013, effective 20.12.2013, SG No. 95/2017, effective 1.01.2018, SG No. 102/2019) Should the Deputy Chairperson establish incomplete data and irregularities in the submitted updated prospectus, he shall send a notice and shall set a time limit for rectification thereof. Article 265, Paragraph 3 shall apply accordingly.

Article 57. (1) (Supplemented, SG No. 109/2013, effective 20.12.2013) Enclosed to the prospectus of the collective investment scheme shall be a document with key investor information. If the collective investment scheme consists of individual sub-funds, a separate document containing key investor information shall be drawn up for each sub-fund.

(2) The key investor information shall include the essential characteristics of the respective collective investment scheme so that the investors are able to understand the nature and the risks of the investment product being offered to them and, consequently, to take investment decisions based on the information.

(3) The key investor information shall contain the following essential elements:

1. (supplemented, SG No. 76/2016, effective 30.09.2016) data about the collective investment scheme and the competent authority of the Member State of origin of the collective investment scheme;

2. a short description of the investment objectives and investment policy of the collective investment scheme;

3. past-performance presentation or, where relevant, performance scenarios;

4. costs and charges;

5. risk profile and return on the investment, including warnings in relation to the risks associated with investments in the respective collective investment scheme.

(4) The document with the key investor information shall have the form and content required under 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, L176/1 of 10 July 2010), hereinafter referred to as "Regulation (EU) No. 583/2010".

(5) Key investor information shall clearly specify where and how to obtain additional information relating to the proposed investment, including where and when the prospectus, the annual and the half-yearly reports may be obtained on request, as well as the language in which such information is available to investors.

(6) (New, SG No. 109/2013, effective 20.12.2013) The key investor information to the prospectus under Article 53a shall also include the information under Article 54, Paragraphs 7, items 1 - 3.

(7) (Renumbered from Paragraph 6, SG No. 109/2013, effective 20.12.2013) Key investor information shall be written in a concise manner and in non-technical language. The document with the key investor information shall be drawn up in a common format, allowing for comparison, and shall be presented in a way that is likely to be understood by retail investors, without the need to use other reference documents.

(8) (Renumbered from Paragraph 7, SG No. 109/2013, effective 20.12.2013) Key investor information shall be used without alterations or supplements in all Member States in which the collective investment scheme markets its units.

(9) (Renumbered from Paragraph 8, SG No. 109/2013, effective 20.12.2013) Key investor information shall constitute pre-contractual information. It shall be fair, clear and not misleading. It shall be consistent with the relevant parts of the prospectus.

(10) (Renumbered from Paragraph 9, SG No. 109/2013, effective 20.12.2013) Key investor information shall contain a clear warning that no civil legal liability may be incurred solely on its basis, unless the information is misleading, inaccurate or inconsistent with the relevant parts of the prospectus.

(11) (New, SG No. 76/2016, effective 30.09.2016) Key investor information shall also include an indication of the website where the details are announced regarding the current remuneration policy, which include at least a description of the method of calculation of the remuneration and incentives, the names and titles of the persons responsible for the distribution of remuneration and incentives, as well as the composition of the remuneration committee, if any, and a statement that a copy of the remuneration policy will be provided in a hard copy free of charge upon request.

Article 58. (1) (Supplemented, SG No. 15/2018, effective 16.02.2018) The document with the key investor information shall be updated immediately upon a change in the essential elements and shall be submitted immediately to the Commission and the investors.

(2) (Supplemented, SG No. 15/2018, effective 16.02.2018) An up-to-date version of the document with the key investor information shall be published on the website of the management company and the investment company and shall be available until the next update.

Article 58a. (New, SG No. 51/2022, effective 1.01.2023) (1) Where a management or an investment company prepares, provides, updates and translates a key information document under Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ, L 352/1 of 9 December 2014), hereinafter referred to as "Regulation (EU) No. 1286/2014", that document is considered to meet the requirements for the key investor information document under Articles 57 - 59, Article 63, Paragraph 1 and Article 131. In these cases, the Commission shall not require the preparation, provision, updating and translation of a key investor information document.

(2) Paragraph 1 shall also apply accordingly where the collective investment scheme consists of separate sub-funds and a separate key information document has been prepared, provided, updated and translated for each sub-fund.

Article 59. (1) The management company, the collective investment scheme respectively, and any other person to whom functions and actions under Article 106 are delegated, when marketing the units of a collective investment scheme, shall provide the document with the key investor information, free of charge, to any person subscribing for units, within a reasonable period of time before the conclusion of the transaction.

(2) Where the management company, the collective investment scheme respectively, does not market units of the collective investment scheme directly or through another person to whom functions and actions under Article 106 are delegated, the management company, the collective investment scheme respectively, shall provide on request the key investor information to persons who market a product based on investment in units of the collective investment scheme or advise investors in relation to such a product.

(3) Persons marketing a product based on investment in units of the collective investment scheme or advising investors in relation to such product shall provide the key investor information to its clients.

Article 60. (1) The investment company and the management company of the common fund shall submit to the Commission:

1. (*) (supplemented, SG No. 102/2019) annual report within 90 days from the end of the financial year, prepared in accordance with the requirements of the International Accounting Standards;

(*) *Editor's Note.* According to § 47, Item 1 to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020: the time limits referred to in Item 60 of Article 2020 (1), Article 1 (92) and Item 2 of Article 1 (191) of the Collective Investment Schemes and Other

Undertakings for Collective Investments Act shall be extended until the 31st day of July 31."

---

2. (*) a half-yearly report covering the first 6 months of the financial year, within 30 days from the end of the reporting period;

(*) *Editor's Note.* According to § 47, Item 2 to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020: the time limits referred to in Item 1 of Article 2020 (60), Article 2 (92) and Item 191 of Article 2 (2) of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be extended until the 30th day of September 30."

---

3. other information set out in an ordinance.

(2) The requirements to the content of the reports and the information under Paragraph 1, the procedure, time limits and the manner of its submission to the Commission, as well as its public disclosure shall be set out in an ordinance.

(3) The Commission shall publish the reports received under Paragraph 1, item 1 through the register kept by it under Article 30, Paragraph 1 of the Financial Supervision Commission Act.

(4) The annual financial statements of the collective investment scheme shall be certified by a registered auditor.

(5) The results from the audit of the annual financial statements conducted by the auditor shall be stated in a separate report, which shall form a part of the annual financial statements.

Article 61. (1) An auditor engaged in the conduct of a mandatory audit of a collective investment scheme or other undertaking contributing towards the pursuit of the scheme's activity shall inform immediately the Commission of any fact or decision in relation to the collective investment scheme or that undertaking of which it becomes aware in the course of conducting the audit, which may bring about:

1. a material breach of the laws, regulations and administrative provisions which lay down the conditions governing authorisation for pursuit of activity, or which specifically govern the pursuit of activity of the collective investment scheme or the undertaking contributing towards the pursuit of its activity;

2. impairment of the continuous functioning of the collective investment scheme or the undertaking contributing towards its business activity;

3. a refusal to certify the financial statements or the expression of reservations.

(2) The auditor under Paragraph 1 shall also inform the Commission of any fact or decision of which he becomes aware in the course of conducting the audit, which may lead to the consequences under Paragraph 1, item 1 in an undertaking which is a connected person by means of control with a collective investment scheme or the undertaking contributing towards its activity.

(3) In the cases under Paragraphs 1 and 2 the restrictions on disclosure of information set out in a law, regulation or a contract shall not apply.

Article 62. The management company shall, on request by an investor, provide him free of charge with the prospectus, the document with the key investor information and the last published annual and half-year reports of a collective investment scheme managed by it.

Article 63. (1) The prospectus and the document with the key investor information shall be provided on a durable medium or on the website of the management company and the investment company. On request by investors, the management company

shall provide them free of charge with paper copies thereof.

(2) Upon submission of the prospectus and the document with the key investor information on a durable medium other than paper or on website the conditions of Article 38 of Regulation (EU) No. 583/2010 shall be fulfilled.

(3) Annual and half-yearly reports shall be submitted to investors in a manner set out in the prospectus and in the document with the key investor information. On request by investors, free of charge paper copies thereof shall be submitted.

Article 64. (Amended, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 15/2018, effective 16.02.2018) The management company of the collective investment scheme shall publish in an appropriate manner set out in the prospectus the issue value and the redemption price of its units upon each determination thereof within the end of the business day following the day of their calculation.

(2) (Amended, SG No. 16/2022) The management company of a collective investment scheme shall announce to the Commission summary information about the issue values and redemption prices of its units once a month within three business days after the end of the month. The form and content of the information of the issue value and redemption price of the units of the collective investment scheme shall be set forth in an ordinance.

Article 65. (1) (Amended, SG No. 16/2022) Regarding all marketing communications to investors, the management company shall comply with the requirements of Article 4, Paragraphs 1 - 3 of Regulation (EU) 2019/1156 of the European Parliament and of the Council of 20 June 2019 on facilitating cross-border distribution of collective investment undertakings and amending Regulations (EU) No. 345/2013, (EU) No. 346/2013 and (EU) No. 1286/2014 (OJ, L 188/55 of 12 July 2019), hereinafter referred to as "Regulation (EU) 2019/1156", and the ESMA guidelines on the application of Article 4, Paragraph 1 of that Regulation, in respect whereof the Commission has made a decision for their application under Article 13, Paragraph 1, item 26 of the Financial Supervision Commission Act.

(2) (Repealed, SG No. 16/2022).

(3) (New, SG No. 109/2013, effective 20.12.2013) The marketing announcements of exchange-traded funds shall also include the information under Article 54, Paragraph 7, items 1 - 3.

(4) (Renumbered from Paragraph 3, SG No. 109/2013, effective 20.12.2013) Any other information and additional requirements to the marketing communications shall be set out in an ordinance.

Article 66. The Commission may request from a collective investment scheme originating in another Member State and which has concluded a management contract with a management company originating in the Republic of Bulgaria the prospectuses and any alteration made therein as well as the annual and the half-yearly reports of that collective investment scheme.

Chapter Eight
MASTER-FEEDER COLLECTIVE INVESTMENT SCHEME STRUCTURES

Section I
Scope and approval

Article 67. (1) A feeder collective investment scheme is a collective investment scheme which has been authorised by the Commission to invest, by way of derogation from Article 4, Paragraph 1, item 1, Articles 38, 45, 48 and Article 49, Paragraph 2, item 3, at least 85 per cent of its assets in units of another collective investment scheme or its investment sub-fund, hereinafter referred to as "master collective investment scheme".

(2) A feeder collective investment scheme may hold up to 15 per cent of its assets in one or more of the following assets:

1. ancillary liquid assets in accordance with Article 38, Paragraph 4;

2. financial derivative instruments, which may be used only for hedging purposes and which meet the conditions under Article 38, Paragraph 1, items 7 and 8, Article 42 and Article 43.

(3) In order to ensure that the total exposure to derivative instruments in which a collective investment scheme has invested its funds does not exceed the total net value of the portfolio in accordance with Article 43, the feeder collective investment scheme

shall calculate its total risk exposure by combining either its own risk exposure under Paragraph 2, item 1 with the actual risk exposure to derivative financial instruments of the master collective investment scheme in proportion to the amount of its investment in the master collective investment scheme or with the maximum total exposure of the master collective investment scheme to derivative financial instruments, provided for in the statute, its rules respectively, in proportion to the amount of its investment in the master collective investment scheme.

Article 68. (1) A master collective investment scheme is a collective investment scheme or its investment sub-fund which simultaneously:

1. has, among its unit-holders, at least one feeder collective investment scheme;

2. is not a feeder collective investment scheme;

3. does not hold units of a collective investment scheme.

(2) The following derogations for a master collective investment scheme shall apply:

1. if a master collective investment scheme has at least two feeder collective investment schemes as unit-holders, the provisions of Article 4, Paragraph 1, item 1 and Article 11, item 1 regarding raising of capital from the public shall not apply, giving the master collective investment scheme the choice whether or not to raise capital from other investors;

2. If a master collective investment scheme does not raise capital from the public in another Member State, but has one or more feeder collective investment schemes originating in another Member State, section II of chapter thirteen shall not apply.

Article 69. (1) The Commission shall approve the investment of the feeder collective investment scheme originating in the Republic of Bulgaria or another Member State in the proceedings under Article 12. In the cases of conversion under Article 79 of a collective investment scheme into a feeder collective investment scheme the Commission shall give prior approval for the investment of the collective investment scheme in the master collective investment scheme originating in the Republic of Bulgaria or another Member State.

(2) The Commission shall notify the feeder collective investment scheme within 15 business days from submission of the full set of documents whether its investment under Paragraph 1, sentence two in the master collective investment scheme is approved or not.

(3) For obtaining approval under Paragraph 1 the feeder collective investment scheme shall submit to the Commission:

1. the rules or the instruments of incorporation of the feeder and master collective investment schemes;

2. the prospectus and the document with key investor information of the feeder and master collective investment schemes;

3. the agreement between the feeder and master collective investment schemes or internal conduct of business rules under Article 71, Paragraph 3;

4. where applicable, the information under Article 79 intended for the unit-holders;

5. an agreement on exchange of information between the depositaries of the feeder and the master collective investment schemes, where they differ, in accordance with Article 75;

6. an agreement on exchange of information between the auditors of the feeder and master collective investment schemes, where they differ, in accordance with Article 77.

(4) (Amended, SG No. 109/2013, effective 20.12.2013) The Commission shall issue approval if the feeder collective investment scheme, the depositary, its auditor and the master collective investment scheme meet the requirements of this chapter, and if the master collective investment scheme originates in another Member State - where such persons meet the requirements of section VIII of Directive 2009/65/EC.

(5) Where the master collective investment scheme originates in another Member State, the feeder collective investment scheme shall submit to the Commission attestation from the competent authority of the home Member State of the master collective investment scheme that the latter or its relevant investment sub-fund are a master collective investment scheme.

(6) The documents under Paragraph 5 shall be submitted by the feeder collective investment scheme in Bulgarian.

Article 70. On request by the feeder collective investment scheme originating in another Member State, which intends to invest in a master collective investment scheme originating in the Republic of Bulgaria, the Commission shall draw up an attestation to the competent authority of the home Members State of the feeder collective investment scheme that the master collective investment scheme meets the conditions under Article 68, Paragraph 1, items 2 and 3.

Section II
General provisions

Article 71. (1) The master collective investment scheme shall provide the feeder collective investment scheme with all the documents and information necessary for conformity with the requirements set out in this Act or in the instruments for its application. Submission of information shall be based on an agreement between the feeder and the master collective investment schemes.

(2) The feeder collective investment scheme may not invest in excess of the limit under Article 48, Paragraph 1 in units of a master collective investment scheme until the agreement referred to in Paragraph 1 has become effective. That agreement shall be made available in Bulgarian, on request and free of charge, to all unit-holders.

(3) In the event both master and feeder collective investment schemes are managed by the same management company, the agreement under Paragraph 1 may be replaced by internal conduct of business rules ensuring compliance with the requirements set out in Paragraph 1.

(4) The content of the agreement under Paragraph 1, the internal rules under Paragraph 3 respectively, shall be set out in an ordinance.

Article 72. (1) In order to prevent the possibility of occurrence of pricing arbitration and avoid application of strategies with selection of the market timing in regard to units, the feeder and the master collective investment schemes shall take appropriate measures to coordinate the timing for calculation of the net value of their assets and for its publication.

(2) Notwithstanding the provisions of Article 21 and Article 22, the feeder collective investment scheme may suspend issue or redemption of its units for the same period of time for which the master collective investment scheme has temporarily suspended issue or redemption of its units.

Article 73. (1) The feeder collective investment scheme shall be liquidated in case of liquidation of the master collective investment scheme, unless the Commission approves investment of at least 85 per cent of the assets of the feeder collective investment scheme in units of another master collective investment scheme or alteration of the statute of the feeder collective investment scheme, its rules respectively, so as to enable it to be converted into a collective investment scheme which is not a feeder collective investment scheme.

(2) The master collective investment scheme may be liquidated not earlier than three months after notification of the decision on the liquidation to all its unit-holders, and if the feeder collective investment scheme originates in another Member State, after notifying the competent authorities of the home Member State of the feeder collective investment scheme.

(3) Additional requirements to the procedure under Paragraph 1 shall be set out in an ordinance.

Article 74. (1) In the event of conversion of a master collective investment scheme the feeder collective investment scheme shall be liquidated, unless the Commission issues one of the following approvals to the feeder collective investment scheme:

1. to continue to be a feeder collective investment scheme of the master collective investment scheme or another collective investment scheme which has arisen as a result of the conversion of the master collective investment scheme;

2. to invest at least 85 per cent of its assets in units of another master collective investment scheme which has not arisen as a result of the conversion;

3. to amend its statute, the rules respectively, in order to have a possibility for conversion into a collective investment scheme other than a feeder collective investment scheme.

(2) Conversion shall not enter into effect if the master collective investment scheme has not submitted to its unit-holders and to the competent authorities of the home Member States of its feeder collective investment schemes the information set out in

Article 151 or comparable information. The information under sentence one shall be submitted not later than 60 days before the date on which the conversion enters into effect.

(3) If the Commission has not issued approval under Paragraph 1, item 1, the master collective investment scheme shall, on request, redeem or repay all units of the feeder collective investment scheme before the date on which the conversion takes into effect.

(4) Additional requirements to the procedure under Paragraph 1 shall be set out in an ordinance.

Section III

Depositaries and auditors
(Title amended, SG No. 109/2013, effective 20.12.2013)

Article 75. (1) (Amended, SG No. 109/2013, effective 20.12.2013) In the cases where the feeder and master collective investment schemes have different depositaries, they shall sign an agreement on exchange of information which shall guarantee the performance of their obligations. The content of the agreement shall be set out in an ordinance.

(2) The feeder collective investment scheme may not invest in units of the master collective investment scheme until the agreement under Paragraph 1 takes effect.

(3) (Amended, SG No. 109/2013, effective 20.12.2013) The depositaries of the master and feeder collective investment schemes observing the provisions set out in this section shall be deemed that they do not infringe rules restricting the disclosure of information or relating to data protection where such restrictions are provided for in a contract or law. Compliance with the provisions of this section shall not invoke liability for the depositary or any other person acting on its behalf.

(4) (Amended, SG No. 109/2013, effective 20.12.2013) The feeder collective investment scheme, the management company respectively, shall be responsible for submitting to the depositary any information about the master collective investment scheme, which is necessary for the overall performance of the obligations of the depositary.

Article 76. (Amended, SG No. 109/2013, effective 20.12.2013) The depositary of a master collective investment scheme shall notify immediately the Commission, the feeder collective investment scheme, the management company respectively, and the depositary of the feeder collective investment scheme of the irregularities found regarding the master collective investment scheme which it considers to have a negative impact on the feeder collective investment scheme.

Article 77. (1) Where the feeder and the master collective investment schemes have different registered auditors, such auditors shall conclude an agreement on exchange of information to ensure performance of their obligations, including the measures for meeting the requirements of Paragraphs 3 and 4. The contents of the agreement shall be set out in an ordinance.

(2) The feeder collective investment scheme may not invest in units of the master collective investment scheme until entry into force of the agreement under Paragraph 1.

(3) In its auditor report the auditor of the feeder collective investment scheme shall take into account the auditor report of the master collective investment scheme. Where the end of the financial year of the feeder collective investment scheme is different time from the end of the financial year of the master collective investment scheme the auditor of the master collective investment scheme shall prepare a report at the date of the closing of accounts of the feeder collective investment scheme.

(4) The auditor of the feeder collective investment scheme shall include in its report information about irregularities found in the auditor report of the master collective investment scheme and on their impact on the activity of the feeder collective investment scheme.

(5) Where the auditors of the master and the feeder collective investment schemes comply with the requirements of this section, it shall be deemed that they do not infringe rules restricting the disclosure of information or rules for data protection where such are contained in a contract or in another law. When complying with this section the restrictions on disclosure of information set out in another law, by-law or contract shall not apply.

Section IV

Provision of information and marketing communications

Article 78. (1) In addition to the information under Article 54 the prospectus of the feeder collective investment scheme shall contain:

1. information that the collective investment scheme is a feeder collective investment scheme for a particular master collective investment scheme and in that capacity permanently invests 85 per cent or more of its assets in units of that master collective investment scheme;

2. the investment objective and policy, including the information about the risk profile, as well as about the return of the feeder and the master collective investment schemes are identical or if not, the extent to which they differ and the reasons for that, including description of the investments under Article 67, Paragraph 2;

3. a short description of the master collective investment scheme, its organizational structure, its investment objective and policy, including risk profile and information about the manner of obtaining its prospectus;

4. a short description of the agreement between the feeder and the master collective investment schemes or of the internal conduct of business rules under Article 71, Paragraph 3;

5. the manner of receiving additional information by the unit-holders about the master collective investment scheme and the agreement between the feeder and the master collective investment schemes or the internal conduct of business rules under Article 71, Paragraph 3;

6. description of all remunerations or costs subject to recovery, which are paid by the feeder collective investment scheme in relation to its investment in the master collective investment scheme and the total amount of the fees of the feeder and the master collective investment schemes;

7. description of the tax legislation applicable to the feeder collective investment scheme regarding its investment in the master collective investment scheme.

(2) In addition to the content set out in accordance with Article 60, Paragraph 2, the annual report of the feeder collective investment scheme shall include a report on the total amount of costs of the feeder and the master collective investment schemes, The annual and the half-yearly reports of the feeder collective investment scheme shall state the manner of receiving the annual and the half-yearly reports of the master collective investment scheme.

(3) In addition to the information required under Article 56, Paragraph 1, Article 58, Paragraph 2 and Article 60, Paragraph 1 the feeder collective investment scheme shall submit to the Commission the prospectus and the document with the key investor information and any amendment thereto, the annual and the half-yearly reports of the master collective investment scheme where the latter is situated in another Member State.

(4) The feeder collective investment scheme shall always disclose in any marketing communication that it permanently invests 85 per cent or more of its assets in units of the master collective investment scheme.

(5) The feeder collective investment scheme shall submit to investors on request and free of charge the paper prospectus and the annual and half-yearly reports of the master collective investment scheme.

Section V

Conversion of collective investment scheme into feeder collective investment scheme and replacement of master collective investment scheme

Article 79. (1) Where a collective investment scheme intends to take up activity as a feeder collective investment scheme as well as where a feeder collective investment scheme intends to replace the master collective scheme in which it has invested, it shall submit to the holders of its unit:

1. information that the Commission has approved the investment of the feeder collective investment scheme in units of the stated master collective investment scheme;

2. the document with key investor information under Article 57 of the feeder and the master collective investment schemes;

3. the date on which the feeder collective investment scheme begins to invest in the master collective investment scheme, or if it

has already invested in it, the date on which its investment will exceed the limit under Article 48, Paragraph 1;

4. information that the unit-holders have the right to require, within 30 days from the moment of information submission, redemption of the units held thereby without any fees but the redemption fees due to the collective investment scheme.

(2) The information under Paragraph 1 shall be submitted at least 30 days before the date under Paragraph 1, item 3.

Article 80. (1) Where the feeder collective investment scheme has filed a notification under Article 136 to the Commission, the information under Article 79 shall be submitted in Bulgarian. The feeder collective investment scheme shall be responsible for the arrangement of the translation, which shall reflect accurately and fully the content of the original.

(2) The feeder collective investment scheme may not invest in units of a master collective investment scheme in breach of Article 48, Paragraph 1 before expiry of the time limit under Article 79, Paragraph 2.

Section VI
Obligations and competent authorities

Article 81. (1) (Amended, SG No. 109/2013, effective 20.12.2013) The feeder collective investment scheme shall monitor effectively the activity of the master collective investment scheme. In pursuance of this obligation the feeder collective investment scheme may use information and documents received from the master collective investment scheme, its management company, depositary and auditor, unless there is reason to doubt their accuracy.

(2) Where in connection with an investment in units of the master collective investment scheme a fee, commission or other monetary benefit is received by the feeder collective investment scheme, its management company or by other person acting on behalf and at the expense of the feeder collective investment scheme, the fee, commission or the other monetary benefit shall be paid to the assets of the master collective investment scheme.

Article 82. (1) Where the master collective investment scheme is situated in the Republic of Bulgaria, it shall immediately notify the Commission of any feeder collective investment scheme with home in another Member State, which invests in its units.

(2) In the cases under Paragraph 1 the Commission shall immediately notify the competent authorities of the home Member State of the feeder collective investment scheme.

Article 83. (1) The master collective investment scheme shall charge no fees on the feeder collective investment scheme for subscription or redemption of their units.

(2) (Amended, SG No. 109/2013, effective 20.12.2013) The master collective investment scheme shall ensure to the feeder collective investment scheme or its management company, to the Commission or to the relevant competent authority where the feeder collective investment scheme is from another Member State, the depositary and the auditor of the feeder collective investment scheme access to the whole information required under the applicable law, the rules of the fund or the instruments of incorporation.

Article 84. (1) (Amended, SG No. 109/2013, effective 20.12.2013) Where the feeder collective investment scheme and the master collective investment scheme are established in the Republic of Bulgaria, the Commission shall immediately notify the feeder collective investment scheme or its management company of any established decision, measure, discrepancy or incompliance with the requirements of this chapter and of any information received under Article 61, Paragraphs 1 and 2 in respect of the master collective investment scheme, its management company, depositary or auditor.

(2) In the cases under Paragraph 1, where the feeder collective investment scheme is established in another Member State, the Commission shall notify the relevant competent authority.

Article 85. (Amended, SG No. 109/2013, effective 20.12.2013) Where the feeder collective investment scheme is established in the Republic of Bulgaria and the Commission receives notification from the competent authorities of the home Member State of the master collective investment scheme regarding a decision, measure or a finding on a discrepancy or incompliance with the requirements of Article 58 - Article 67 of Directive 2009/65/EC or regarding reported information under Article 106, Paragraph 1 of Directive 2009/65/EC in connection with the master collective investment scheme, its depositary, auditor or management company, the Commission shall immediately notify the feeder collective investment scheme of the information received.

TITLE TWO
MANAGEMENT COMPANY

Chapter Nine
CONDITIONS FOR TAKING UP BUSINESS

Article 86. (1) A management company shall be a joint-stock company with a seat in the Republic of Bulgaria, which is granted a licence under the terms and procedure hereunder and whose subject of activity is management of collective investment schemes, including:

1. management of investments;

2. (supplemented, SG No. 76/2016, effective 30.09.2016) administration of units, including legal and accounting services in connection with management of the assets and calculation of the price of the units, control over compliance with law, risk management, keeping the book of the unit-holders in the cases of pursuit of management of a collective investment scheme originating in another Member State, distribution of dividends and other payments, issue, sale and redemption of units, performance of contracts, reporting;

3. marketing services;

(2) The management company may also provide the following ancillary services:

1. (new, SG No. 109/2013, effective 20.12.2013) management of the activities of sovereign wealth funds;

2. (renumbered from Item 1, SG No. 109/2013, effective 20.12.2013) management in accordance with a concluded contract of a portfolio, including a portfolio of a collective investment undertaking, including financial instruments, at its own discretion, without special instructions by the client;

3. (renumbered from Item 2, SG No. 109/2013, effective 20.12.2013) investment advice on financial instruments;

4. (renumbered from Item 3, SG No. 109/2013, effective 20.12.2013, supplemented, SG No. 102/2019) safe-keeping and administration of units in collective investment undertakings.

(3) (Amended, SG No. 42/2016, SG No. 76/2016, effective 30.09.2016, SG No. 15/2018, effective 16.02.2018, supplemented, SG No. 16/2022) For the management company which provides services under paragraph 2, items 2 – 4, § 4, paragraph 3 of the additional provisions of the Markets in Financial Instruments Act shall apply.

(4) (Amended, SG No. 109/2013, effective 20.12.2013) The licence under Paragraphs 1 may cover the right for providing the services under Paragraph 2. The licence may not be granted only for providing the services under Paragraph 2, as well as for providing the services under Paragraphs 2, items 3 and 4, without authorisation for the provision of services under Paragraphs 2, item 2.

(5) The licence granted to a management company shall be effective in all Member States.

(6) (Supplemented, SG No. 102/2019) The management company may not pursue activity other than the activity for which the licence is granted under Paragraphs 1 and 2 or Article 201.

(7) (New, SG No. 102/2019) The requirements of Regulation (EU) 2017/1131 shall apply to a management company that manages a money market fund.

(8) (New, SG No. 102/2019) A management company may manage an alternative investment fund without a licence granted under Article 201, provided that the portfolio of the alternative investment fund managed includes only financial instruments. A management company may manage a portfolio of an alternative investment fund by delegation, provided that it has been granted a licence for the additional services under Paragraph 2, Item 2, and the management shall only concern a portfolio of financial instruments.

(9) (Renumbered from Paragraph (7), SG No. 102/2019) The management company may not market units of a collective investment undertaking on part three in other Member States.

(10) (Renumbered from Paragraph (8), SG No. 102/2019) The management company shall issue only dematerialised shares entitling to one vote.

Article 87. (1) (Previous text of Article 87, SG No. 109/2013, effective 20.12.2013) When pursuing the activity under Paragraph 4, item 1 relating to public offering of the units of the collective investment scheme and their redemption, the management company shall act on behalf and at the expense of the managed collective investment scheme.

(2) (New, SG No. 109/2013, effective 20.12.2013) Activities under Article 86, Paragraph 1, item 1, and Paragraph 2 item 1, shall be pursued through investment decisions and instructions, which shall be performed by authorised investment intermediaries in compliance with the provisions of the law, with the exception of the cases of primary public offering or transactions in securities and money market instruments under Article 38, Paragraph 1, item 9, letter "a" and Paragraphs 2, where the subscription of securities, respectively the transactions in securities and money market instruments may be performed by the management company.

Article 88. The Commission may grant licence for pursuit of activity as management company on the territory of the Republic of Bulgaria through a branch to a legal entity from a third country, provided that the entity is entitled to pursue such activity under national law and the body controlling the capital market where the entity is registered exercises supervision over it on a consolidated basis. The entity from a third country shall have the rights and obligations of a local management company, unless the law provides for otherwise.

Article 89. (Amended, SG No. 109/2013, effective 20.12.2013) In the cases where the licence under Article 86, Paragraph 1 covers the right for providing the services under Article 86, Paragraphs 2, item 2 and the management company keeps cash and/or financial instruments of such clients and therefore obligations may arise for it towards them, the management company shall make cash contributions to the Investor Compensation Fund under Article 77n, Paragraph 2 of the Public Offering of Securities Act. The provisions of Chapter five, section IV of the Public Offering of Securities Act shall apply mutatis mutandis.

Article 90. (1) (Supplemented, SG No. 34/2015, amended, SG No. 25/2022, effective 29.03.2022) The management company shall have initial capital of no less than the lev equivalent of EUR 125,000. The initial capital of management companies shall consist of one or more of the elements, indicated in Article 26, Paragraph 1, letters (a) – (e) of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (OJ, L 176/1 of 27 June 2013), hereinafter referred to as "Regulation (EU) No. 575/2013".

(2) (Supplemented, SG No. 34/2015, SG No. 15/2018, effective 16.02.2018, amended and supplemented, SG No. 102/2019, SG No. 25/2022, effective 29.03.2022) The management company shall at any time maintain own funds exceeding or equal to the amount referred to in Paragraphs 1 or 3. "Own funds" shall denote the funds within the meaning of Article 9, paragraph 1, item "i" of Regulation (EU) No. 2019/2033. The management company shall comply with the relevant requirements of Regulation (EU) 2019/2033 in determining the amount of its equity. The Commission shall be the competent body for the application of Article 26 of Regulation (EU) No. 575/2013, in connection with Article 9 of Regulation (EU) 2019/2033 as regards management companies.

(3) If the management company manages the activity of collective investment schemes and other collective investment undertakings whose assets separately or in aggregate exceed the lev equivalent of EUR 250,000,000, it shall increase the amount of its own funds by no less than 0.02 per cent of the amount being the difference between the value of the assets according to balance sheet and the lev equivalent of EUR 250,000,000. Sentence one shall apply where the capital of the management company reaches the lev equivalent of EUR 10,000,000.

(4) When calculating the total value of the assets of the collective investment schemes and other collective investment undertakings under Paragraph 3 the assets managed by the management company by delegation shall be excluded.

(5) Not less than 25 per cent of the capital under Paragraph 1 shall be available upon filing the application for granting a licence for pursuit of activity as management company and the remaining amount shall be available within 14 days from receipt of a

written notification by the Commission that it will grant the licence after proving availability of the full capital amount.

(6) (Amended, SG No. 25/2022, effective 29.03.2022) Irrespective of the requirement under Paragraph 2, the own funds of the management company shall at any time be no less than the amount required under Article 13 of Regulation (EU) 2019/2033.

(7) (Amended, SG No. 95/2017, effective 1.01.2018, SG No. 102/2019) In case of a serious change in the scope of activity of the management company during the current year vis-a-vis the previous year the Commission by proposal of the Deputy Chairperson may adjust the required value under Paragraph 6.

(8) (Amended, SG No. 95/2017, effective 1.01.2018) For the management company which has not pursued activity in the previous financial year effective from the day of licence granting, the amount of own funds shall be determined on the basis of the estimated total fixed costs envisaged in the activity programme, unless the commission by proposal of the Deputy Chairperson has required adjustment of the costs in the activity programme.

(9) (Amended, SG No. 25/2022, effective 29.03.2022) The management company shall determine the total fixed costs under Paragraph 6 based on the annual financial statements certified by a registered auditor.

(10) The management company shall meet capital requirements and shall maintain minimum liquid funds set out in an ordinance.

(11) (New, SG No. 102/2019, supplemented, SG No. 25/2022, effective 29.03.2022) The terms and procedure for granting authorisation under Article 26 of Regulation (EU) No. 575/2013, in connection with Article 9 of Regulation (EU) 2019/2033 to the management company shall be set out in an ordinance.

Article 91. (Amended, SG No. 95/2017, effective 1.01.2018, SG No. 102/2019) (1) Failing to comply with requirements for own funds under Article 90, Paragraph 2 or Article 90, Paragraph 6, as the case may be, the management company shall notify the Commission within 7 days of occurrence of the circumstance, stating the reasons that caused the reduction in the own funds.

(2) In the cases under Paragraph 1, the Commission may, on a proposal by the Deputy Chairperson, subject to assessment of the reasons that caused the reduction in the own funds and taking account the interests of investors, set a time limit by which the company shall restore the value of its own funds to the amount referred to in Article 90, Paragraph 2, or Article 90, paragraph 6, as the case may be, or expressly waive the licence granted.

(3) In case of a breach of any of the liquidity requirements set out in an ordinance, the management company shall notify the Deputy Chairperson within 7 days of the occurrence of the breach, stating the reasons for the breach and suggesting specific measures for its elimination. The breach shall be eliminated within one month of its occurrence. Within 7 days of the notification under sentence one, the Deputy Chairperson may determine other measures for the elimination of the breach.

Article 92. (1) (*) (Supplemented, SG No. 102/2019) The management company shall submit to the Commission its annual report within 90 days from the end of the financial year, which shall be prepared in accordance with the International Accounting Standards, with content as set out in an ordinance.

(*) *Editor's Note.* According to § 47, Item 1 to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020: the time limits referred to in Item 60 of Article 2020 (1), Article 1 (92) and Item 2 of Article 1 (191) of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be extended until the 31st day of July 31."

---

(2) (*) The management company shall submit to the Commission, by the 10th day of the month following the end of the

quarter, a balance sheet and an income statement as of the last date of each quarter, as well as a quarterly report on its capital adequacy and liquidity with content as set out in an ordinance.

(*) *Editor's Note.* According to § 47, Item 2 to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020: the time limits referred to in Item 1 of Article 2020 (60), Article 2 (92) and Item 191 of Article 2 (2) of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be extended until the 30th day of September 30."

---

(3) (Amended, SG No. 109/2013, effective 20.12.2013) Upon established incompleteness or inconsistencies with the legal requirements, including the International Financial Reporting Standards, in the capital adequacy and liquidity reports as well as in the financial statements, records and other accounting documents, the Deputy Chairperson shall send a communication and shall set a time limit for rectification thereof by the management company. Article 265 shall apply mutatis mutandis.

Article 93. (1) (Supplemented, SG No. 102/2019) A person who is elected to be a member of a managing or controlling body of a management company shall:

1. (amended, SG No. 109/2013, effective 20.12.2013) have higher education and professional experience required for the management of the activity of the management company;

2. not have been convicted of premeditated crime of general nature, unless rehabilitated;

3. have not been a member of a managing or controlling body or a general partner in a company against which bankruptcy proceedings have been instituted, or which is terminated by bankruptcy, if unsatisfied creditors remained;

4. have not been declared bankrupt or undergoing bankruptcy proceedings;

5. (supplemented, SG No. 109/2013, effective 20.12.2013) not be a spouse, or relative, in direct or lateral lineage up to the third degree inclusive, or by marriage up to the third degree, to another member of a managing or controlling body of the company and not be in de facto marital cohabitation with such a member;

6. not be deprived of the right to hold position of financial responsibility;

7. (new, SG No. 109/2013, effective 20.12.2013) not have been in the recent one year prior to the act of the relevant competent authority a member of a managing or controlling body of a company whose licence for pursuing activities subject to licensing by the Commission or by the Bulgarian National Bank, or by a relevant authority of another country has been withdrawn, except in the cases where the licence was withdrawn at the company's request, and also if the act on the withdrawal of the issued licence has been repealed under the due procedure;

8. (new, SG No. 109/2013, effective 20.12.2013, amended and supplemented, SG No. 76/2016, effective 30.09.2016, amended, SG No. 21/2021, SG No. 51/2022) no administrative penalties have been imposed on it in the recent three years for any gross violation of this Act, the Public Offering of Securities Act, the repealed Special Purpose Investment Companies Act, the Special Purpose Investment Companies and Securitisation Companies Act, the Markets in Financial Instruments Act, the repealed Measures Against Market Abuse with Financial Instruments Act, the Implementation of the Measures against Market Abuse with Financial Instruments Act, Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ, L 173/1 of 12.6.2014), hereinafter referred to as "Regulation (EU) No. 596/2014" or of the instruments for their application, or of another country's relevant legislation;

9. (new, SG No. 109/2013, effective 20.12.2013, amended and supplemented, SG No. 76/2016, effective 30.09.2016, amended, SG No. 21/2021, SG No. 51/2022) no administrative penalties, which are qualified as systematic, have been imposed on it in the recent three years for any gross violation of this Act, the Public Offering of Securities Act, the repealed

Special Purpose Investment Companies Act, the Special Purpose Investment Companies and Securitisation Companies Act, the Markets in Financial Instruments Act, repealed Measures Against Market Abuse with Financial Instruments Act, the Implementation of the Measures against Market Abuse with Financial Instruments Act, Regulation (EU) No. 596/2014 and of the instruments for their application, or of another country's relevant legislation;

10. (new, SG No. 109/2013, effective 20.12.2013, amended, SG No. 21/2021, SG No. 51/2022) not have been released from office as a member of a managing or controlling body of a company under this Act, the Public Offering of Securities Act, the Markets in Financial Instruments Act, the repealed Special Purpose Investment Companies Act or the Special Purpose Investment Companies and Securitisation Companies Act or under another country's relevant legislation on the grounds of an enforced coercive administrative measure, except in the cases where the act of the Commission has been repealed under the due procedure.

(2) (Supplemented, SG No. 102/2019) The persons actually managing the activity of the management company shall have good repute and experience in regard to collective investment schemes managed by the company and shall meet the requirements of Paragraph 1. The management company shall be managed jointly by at least two persons meeting the requirements of sentence one.

(3) (Amended, SG No. 109/2013, effective 20.12.2013, repealed, SG No. 102/2019).

(4) (Amended, SG No. 102/2019) The requirements referred to in Paragraphs 1 and 2 shall furthermore apply accordingly to natural persons representing legal entities – members of the managing and controlling bodies of the management company.

(5) The requirements referred to in Paragraph 1 shall furthermore apply to all other persons who may conclude separately or jointly with another person transactions for the account of the management company.

(6) The circumstances under Paragraphs 1 shall be proved:

1. under item 1 - by a document of professional qualification;

2. (amended, SG No. 103/2017, effective 1.01.2018) under item 2 – for Bulgarian citizens officially by the Commission, and for foreign citizens – with the conviction certificate or equivalent document;

3. (amended, SG No. 109/2013, effective 20.12.2013) under items 3 - 10 - by declaration.

(7) (New, SG No. 109/2013, effective 20.12.2013, amended and supplemented, SG No. 95/2017, effective 1.01.2018, SG No. 102/2019) The persons under Paragraph 1 shall be subject to approval by the Commission on a proposal by the Deputy Chairperson prior to their registration in the Commercial Register, and the persons under Paragraph 4, prior to appointing them as representatives of the legal entities that are members of the managing and controlling bodies of a management company, based on documents set out in an ordinance. The Commission shall issue within 15 days of the submission of the application with documents attached thereto certifying compliance with specific requirements for such persons, and where additional documents and information were requested, within 15 days of submission thereof or from expiry of the deadline for their submission, as the case may be. The Commission shall refuse to grant his/her approval if any of the persons fails to meet the requirements under this Act or if with his/her/its activities or influence on decision-making he/she/it may jeopardise the safety/security of the company or of its transactions.

(8) (New, SG No. 109/2013, effective 20.12.2013) Professional experience in the sense of Paragraph 1, item 1, shall be in place if the person has worked at least:

1. one year in undertakings of the non-banking financial sector or in banks, provided his/her duties were related to the core activities of these undertakings; or

2. (supplemented, SG No. 102/2019) three years in government institutions or other public entities, the main functions of which include management and control of government or international public financial assets or management, control and investment of monetary funds in funds established under a regulatory act or

3. (new, SG No. 102/2019) three years for a regulatory authority of the banking and/or non-banking financial sector, or

4. (new, SG No. 102/2019) five years at a managerial position in the financial management of a company from the non-financial sector, during which period the managed assets exceeded BGN 1,500,000, or

5. (new, SG No. 102/2019) two years in total in an entity under Items 1, 2 and 3, and three years in an entity under Item 4, or

6. (new, SG No. 102/2019) one year in total in an entity under Items 1, 2 and 3, and four years in an entity under Item 4, or

7. (new, SG No. 102/2019) three years in total in an entity under Items 1, 2 and 3, and two years in an entity under Item 4.

(9) (New, SG No. 109/2013, effective 20.12.2013, amended and supplemented, SG No. 102/2019) The Commission shall take the coercive administrative measure under Article 264, Paragraph 1, Item 5 where a person under paragraphs 1, 2, 4 and 5 no longer meets the requirements under Paragraph 1 or Paragraph 2. Within 2 months of the imposition of the coercive administrative measure, the management company shall submit an application under Paragraph 7 and shall nominate a person who meets the requirements of this Article.

Article 94. (1) The management company shall notify the Commission within three business days of the election of a new managing or controlling body of the company or of the authorisation of another person to actually manage the company or conclude individually or jointly with another person transactions for the account of the company, enclosing the data and the other necessary documents under Article 93 about the person.

(2) The persons under Article 93 shall notify the Commission of any change in the circumstances declared thereby within three business days from the change.

(3) (Amended, SG No. 109/2013, effective 20.12.2013, SG No. 95/2017, effective 1.01.2018) If a person under Paragraph 1 or Paragraph 2 does not meet the requirements under Article 93, the Commission by proposal of the Deputy Chairperson may oblige the management company under Article 264 to discharge such person or appoint another person as a member of the managing or controlling body of the company.

Chapter Ten
GRANTING AND WITHDRAWAAL OF LICENCE

Article 95. (1) The licence for pursuit of activity as management company shall be granted by the Commission.

(2) For granting a licence under Paragraph 1 an application shall be filed according to a standard form approved by the Deputy Chairperson, enclosing thereto:

1. the statute and the other instruments of incorporation;

2. data about subscribed and paid in capital;

3. data and other necessary documents about the persons under Article 93, about natural persons respectively, members of managing or controlling bodies of the applicant or other persons authorised to manage and represent it, as well as data about their professional qualification and experience;

4. the general conditions applicable to management contracts with investment companies and other investors;

5. an activity programme, including at least a description of the organisational structure of the management company;

6. the rules for personal transactions in financial instruments of the members of managing and controlling bodies of the company, of the investment advisor working under contract for the management company, of the employees of the management company and related parties thereto;

7. data about persons with direct or indirect qualifying holding in the applicant company or which can control it, as well as data

about the votes held thereby;

8. a written declaration about their beneficial owners and the origin of funds used for the payment of the contributions against the shares subscribed, including whether the funds are borrowed, as well as about taxes paid thereby in the last 5 years according to a standard form approved by the Deputy Chairperson;

9. data about the persons with whom the management company is related;

10. other documents and data set out in an ordinance.

(3) The Commission shall issue a decision on the application after consultations with the competent authorities of relevant Member States, if the applicant:

1. is a subsidiary of another management company, investment intermediary, credit institution or insurer authorised to pursue activity by the competent authorities of another Member State;

2. is a subsidiary of the parent company of another management company, investment intermediary, credit institution or insurer authorised to pursue activity by the competent authorities of another Member State;

3. is controlled by natural persons or legal entities controlling another management company, investment intermediary, credit institution or insurer authorised to pursue activity by the competent authorities of another Member State.

(4) (Amended, SG No. 102/2019) The Commission shall come up with a decision under Article 12, Paragraphs 4 – 8.

(5) (Supplemented, SG No. 21/2012, amended, SG No. 102/2019) Upon granting a licence the management company shall be registered in the register kept by the Commission under Article 30, Paragraph 1 of the Financial Supervision Commission Act. ESMA shall be notified of the granting of the licence.

Article 96. (1) In the cases where the management company wishes to provide services under Article 86, Paragraph 2, which are not included in its licence, it shall file an application to the Commission according to a standard form approved by the Deputy Chairperson for extension of the scope of the licence, enclosing thereto the documents under Article 95, Paragraph 2, items 1, 2, 4 and 5, as well as other data and documents set out in an ordinance.

(2) The Commission may refuse extension of the scope of the licence if it considers that the documents submitted by the applicant do not meet the requirements of this Act and the instruments for its application.

(3) (Amended, SG No. 102/2019) The Commission shall come up with a decision under Article 12, Paragraphs 4 – 8.

Article 97. (1) The Commission shall refuse to grant a licence, if:

1. the capital of the applicant does not meet the requirements under Article 90, Paragraph 1;

2. any of the persons under Article 93 may not hold the position due to a legal prohibition or because the person does not meet the requirements of this Act;

3. a person that holds directly or indirectly a qualifying holding or can control the applicant with its activity or influence decision-making may harm the company's security or its operations;

4. the general conditions under Article 95, Paragraph 2, item 4 do not secure sufficiently the interests of the investment company and the other investors;

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

6. (repealed, SG No. 102/2019);

7. the applicant is a related party to one or more natural persons or legal entities and such relatedness could hinder the Commission or the Deputy Chairperson from effectively exercising their supervisory functions;

8. at its judgement, the activity the applicant intends to pursue does not ensure the necessary reliability and financial stability;

9. at its judgement, the property of the persons with qualifying holding in the management company and/or the activity pursued thereby by their scale or financial results does not correspond to the shareholding applied for acquisition in the applicant and

creates doubt as to the reliability and appropriateness of such persons to provide capital support to the applicant, where necessary;

10. the origin of the funds used by the persons with qualifying holding in the management company is not clear and legal;

11. impediments exist for the effective exercise of the supervisory functions of the Commission or the Deputy Chairperson, arising from or in relation to the application of a legal or administrative act of a third country, regulating the activity of one or more persons to whom the applicant is a related party;

12. (new, SG No. 34/2015) from the content of the programme of activity or from other documents of the applicant it is evident that the bulk of the activity would be performed in the territory of another Member State and the application for a license from the commission is aimed at circumventing the stricter requirements in regard to management companies in the Member State, in the territory of which the applicant intends to perform activities;

13. (renumbered from Item 12, SG No. 34/2015) the applicant does not meet the other requirements set out in the Act and the instruments for its application.

(2) (Amended, SG No. 34/2015, SG No. 102/2019) In the cases under Paragraph 1, items 1, 2, 4 and 13 the Commission may finally refuse to grant a licence if the applicant has nor rectified the inconsistencies and has not submitted the required documents within the time limit set thereby, which may not be less than one month.

(3) In addition to the cases under Paragraph 1 the Commission may refuse granting a licence for pursuit of activity as management company on the territory of the Republic of Bulgaria through a branch to a legal person from a third country if it considers that the supervision exercised on a consolidated basis by the relevant competent authority in its home country does not correspond to the requirements set out by this Act.

(4) The Commission may refuse to grant a licence if the beneficial owners of a shareholder with qualifying holding cannot be identified.

(5) The refusal of the Commission to grant a licence shall be reasoned in writing.

(6) In the cases of refusal the applicant may file a new request for a licence not earlier than 6 months from entry into force of the decision on the refusal.

Article 98. (1) No one may pursue activity as management company without being licensed by the Commission.

(2) A person which does not have a licence for pursuit of activity as management company in accordance with the requirements of this Act may not use in its name, advertising or other activity in Bulgarian or a foreign language denoting pursuit of actions for management of a collective investment scheme.

Article 99. (1) (Previous text of Article 99, SG No. 62/2017) The Registry Agency shall register in the commercial register the company with subject of activity - the activity under Article 86, upon submission of the licence granted by the Commission.

(2) (New, SG No. 62/2017) The person which has been granted a licence for pursuit of activity as management company submits an application for entry in the Commercial Register at the Registry Agency within 7 days of the receipt of the licence.

Article 100. (1) (Amended, SG No. 102/2019) The Commission may revoke the licence granted if:

1. the management company does not make use of the licence under Article 86, Paragraph 1 within 12 months from issue thereof, expressly renounces the licence issued or has ceased the activity under Article 86, Paragraph 1 more than 6 months;

2. the management company has submitted false data which have served as a ground for issuing the licence;

3. the management company no longer fulfils the conditions under which the licence was granted;

4. (amended, SG No. 102/2019) the management company no longer meets the capital adequacy requirements;

5. (new, SG No. 102/2019) the management company fails to restore its own funds or expressly waives its licence within the time limit under Article 91, Paragraph 2;

6. (new, SG No. 102/2019) the management company no longer meets the liquidity requirements set out in an ordinance and

fails to propose within 7 days from occurrence of the breach measures for bringing it in compliance with such requirements or fails to rectify the breach within the time limit under Article 91, Paragraph 3;

7. (renumbered from item 5, SG No. 102/2019) the financial condition of the management company has permanently deteriorated and it cannot fulfil its obligations;

8. (amended, SG No. 109/2013, effective 20.12.2013, SG No. 76/2016, effective 30.09.2016, amended and supplemented, SG No. 15/2018, effective 16.02.2018, renumbered from Item 6, supplemented, SG No. 102/2019, SG No. 16/2022) the management company and/or the persons under Article 93 have not complied with an imposed coercive administrative measure under Article 264, Paragraph 1 or have breached or have allowed a breach under Article 90, Paragraph 1 of the Markets in Financial Instruments Act and Articles 14 and 15 of Regulation (EU) No. 596/2014 or other gross violation, or systematic violations of this Act, the Public Offering of Securities Act, the Markets in Financial Instruments Act, the repealed Measures Against Market Abuse with Financial Instruments Act, the Implementation of the Measures against Market Abuse with Financial Instruments Act, the Measures Against Money Laundering Act, the Measures Against the Financing of Terrorism Act, of Regulation (EU) 2015/2365 and the instruments for their application;

9. (new, SG No. 22/2015, effective 24.03.2015, renumbered from Item 7, SG No. 102/2019) from the operations of the management company it would be evident that the bulk of its activity is taking place in the territory of another Member State and a license had been obtained from the Commission with the aim to circumvent the stricter requirements in regard to the management company in that other Member State;

10. (new, SG No. 16/2022) the management company and/or persons under Article 93 have committed and/or have caused commitment of infringement of Article 32, Paragraphs 1 and 2 of the Financial Supervision Commission Act.

(2) Before withdrawing the licence of a management company originating in the Republic of Bulgaria which manages a collective investment scheme originating in another Member State the Commission shall consult the competent authorities of that Member State.

(3) The Commission shall notify in writing the company within 7 days from taking the decision on licence withdrawal.

(4) The management company may change its subject of activity only upon an express refusal from the licence granted and if no grounds exist for coercive withdrawal of the licence.

(5) After the decision on licence withdrawal takes effect, the Commission shall immediately send it to the Registry Agency for registration in the commercial register and for appointment of a liquidator or to the court - for institution of bankruptcy proceedings, and shall take the necessary measures to inform the public.

Article 101. (1) (Amended, SG No. 15/2018, effective 16.02.2018) The management company may not pursue the activity under Article 86 after withdrawal of the licence and after the court decision on institution of bankruptcy proceedings. Article 32 of the Markets in Financial Instruments Act shall apply mutatis mutandis to the management company.

(2) (New, SG No. 102/2019) The management company that waives its licence and has provided the services under Article 86, Paragraph 2, Items 2 – 4, shall submit together with the notification of the decision to waive its licence a plan for settling its relations with the clients. The Commission shall withdraw the licence of the company upon submission of documents attesting the settlement of said relations.

(3) (Amended, SG No. 109/2013, effective 20.12.2013, SG No. 95/2017, effective 1.01.2018, renumbered from Paragraph (2), amended, SG No. 102/2019) The management company which has provided the services under Article 86, Paragraph 2, items 2 – 4, within 14 days of becoming aware of the Commission's decision on licence withdrawal, shall draw up and submit to the Commission a plan for settling its relationships with the clients. The liquidator, the representative of the company respectively, shall monitor the implementation of the plan for settlement of relationships with the clients of the management company and shall submit to the Commission documents proving the settlement of such relationships.

(4) (Amended, SG No. 95/2017, effective 1.01.2018, renumbered from Paragraph (3), SG No. 102/2019) Deregistration of the company from the commercial register shall be allowed only after settlement of the relationships of the management company with its clients and the Commission shall notify the Registry Agency thereof.

Article 102. (1) The management company may be dissolved only with the permission of the Commission.

(2) The management company may be restructured only with the permission of the Commission, provided that all participating companies in the restructuring are management companies.

(3) The terms and procedure for granting permission for dissolution and restructuring shall be set out in an ordinance.

Chapter Eleven
REQUIREMENTS TO THE ACTIVITY OF THE MANAGEMENT COMPANY

Article 103. (1) The management company shall implement the investment policy for the purpose of accomplishing the investment objectives of the managed collective investment scheme, as well as observe the investment limits set out in this Act, in the instruments for its application, in the statute of the investment company, in the rules of the collective investment scheme respectively.

(2) The management company shall observe the rules for portfolio valuation and determination of the net asset value of the collective investment scheme where it is entrusted with the performance of such activity.

Article 104. (1) Management companies which are granted authorisation for management of a collective investment scheme shall, at any time in respect of the management activity of such scheme:

1. maintain sound administrative and accounting procedures and technical equipment allowing them to ensure autonomous management of the portfolios of the collective investment schemes;

2. have in place mechanisms for control and safeguard of electronic data processing, and adequate internal control mechanisms, including, in particular, rules for personal transactions of the managing and controlling bodies of the management company, of the employees of the management company and related parties, as well as rules for investing the management company's own funds;

3. draw up rules for information storage and reporting, which shall ensure tracking of every transaction concluded at the expense of the collective investment schemes managed thereby, at least in respect of the history of the transaction, its value, the parties thereto, its nature, the time and place of conclusion as well as whether it is concluded in compliance with the statute, the rules of the collective investment scheme respectively, and the legal provisions in force at the time of transaction conclusion;

4. guarantee that the assets of the managed collective investment schemes are invested in compliance with the statute, the rules respectively, or the instruments of incorporation of such schemes and the provisions of this Act and the instruments for its application;

5. are organized and structured in such a way as to minimise the risk of the collective investment schemes' or their clients' interests being prejudiced by conflicts of interest between the management company and its clients, between two of its clients, between one of its clients and a given collective investment scheme managed by the company, or between two collective investment schemes managed by the company;

6. (new, SG No. 76/2016, effective 30.09.2016, amended, SG No. 102/2019) apply and ensure adequate and effective internal channels and procedures for sending signals by its employees about actual or potential violations of this Act and the instruments for its application;

7. (new, SG No. 76/2016, effective 30.09.2016) have functioning arrangements for handling complaints received by the management company.

(2) (Amended and supplemented, SG No. 109/2013, effective 20.12.2013) Management companies which are authorised to provide the services under Article 86, Paragraph 2, item 2 may not invest a client's total portfolio or an article thereof in units of collective investment schemes or sovereign wealth funds managed by them, unless they receive the client's prior approval.

(3) Additional requirements in relation to compliance with the requirements of Paragraphs 1 and 2 shall be set out in an ordinance.

Article 105. (1) The management company shall:

1. (amended, SG No. 76/2016, effective 30.09.2016) apply due diligence, perform its duties with integrity, fairly, professionally, independently and solely in the interest of the collective investment schemes it manages and the integrity of the

market;

2. (repealed, SG No. 76/2016, effective 30.09.2016);

3. have and employ effectively the resources and procedures that are necessary for the performance of its business activities;

4. try to avoid conflicts of interests and, when these cannot be avoided, ensures that the collective investment schemes it manages are fairly treated;

5. comply with all regulatory requirements applicable to the conduct of its business activities in the best interests of investors and the integrity of the market.

(2) The additional requirements in relation to the performance of the obligations under Paragraph 1, including actions that the management company shall take for detecting, preventing, managing and/or disclosing conflicts of interests and determining adequate criteria for defining the types of interests whose existence might prejudice the interests of collective investment schemes it manages shall be set out in an ordinance.

Article 105a. (New, SG No. 26/2020) (1) A management company which, when carrying on the activities set out in Article 86, Paragraph 1, items 1 and 2 and Paragraph 2, items 1 and 2, invests in shares of companies which have a seat in a Member State and are admitted to trading on a regulated market in a Member State, shall adopt and publish an engagement policy and information regarding the implementation of said policy.

(2) In its engagement policy, the management company shall describe how it integrates the engagement of the collective investment scheme, respectively of the person whose portfolio it manages, in its investment strategy. The management company shall describe the following in its engagement policy:

1. how it monitors companies in which it invests on behalf of the collective investment scheme, respectively of the person whose portfolio it manages, on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance;

2. the communication with investee companies;

3. the exercise of voting rights and other rights attached to shares, including the criteria for insignificant votes due to the subject matter of the vote or the size of the holding in the company;

4. the cooperation with other shareholders and the communication with relevant stakeholders of the investee companies;

5. the management of actual and potential conflicts of interests in relation to the shareholding in the investee company.

(3) The management company shall, on an annual basis, publicly disclose information regarding the implementation of the engagement policy, including:

1. a general description of voting behaviour;

2. an explanation of the most significant votes;

3. information regarding the use of the services of proxy advisors within the meaning of § 1(55) of the Supplementary Provisions of the Public Offering of Securities Act;

4. information about the exercise of the voting rights attached to the shares in companies in which it invests on behalf of the collective investment scheme, respectively of the person whose portfolio it manages, except where the votes are insignificant according to the criteria referred to in Item 3 of Paragraph 2.

(4) The engagement policy, including any amendments and supplements to it, shall be published within 7 days of the relevant decision.

(5) The management company may choose not to adopt an engagement policy and shall publish detailed reasons why this is the case within the time limit set out in Paragraph 4.

(6) The management company may choose not to comply with any of the requirements set out in Paragraph 2 or in Paragraph 3, respectively, and shall publish detailed reasons why this is the case within the time limit set out in Paragraph 4.

(7) The information set out in Paragraph 3 shall be published within three months of the end of the financial year in which the voting right has been exercised, and said information shall remain available until the next publication.

(8) The information set out in Paragraphs 1 to 6 shall be published on the website of the retirement insurance company and shall be free of charge.

Article 105b. (New, SG No. 26/2020) (1) Management companies that have concluded portfolio management contracts, including through a collective investment scheme, with a person referred to in Article 197a(1) of the Insurance Code or with a person within the meaning of Article 2(e) of Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies (OJ L 184/17 of 14.7.2007) registered or authorised in another Member State, shall be obliged to disclose, on an annual basis, to said person how their investment strategy and implementation thereof complies with that arrangement and contributes to the medium to long-term performance of the assets of said person.

(2) The information referred to in Paragraph 1 shall include reporting on the key material medium to long-term risks associated with the investments, on portfolio composition, turnover and turnover costs, on the use of proxy advisors within the meaning of § 1(55) of the Supplementary Provisions of the Public Offering of Securities Act for the purpose of engagement activities and their policy on securities lending and how it is applied to fulfil their engagement activities if applicable, particularly at the time of the general meeting of the investee companies.

(3) The information referred to in Paragraph 1 shall also include information on whether and, if so, how, management companies make investment decisions based on evaluation of medium to long-term performance of the investee company, including non-financial performance, and on whether and, if so, which conflicts of interests have arisen in connection with engagements activities and how the management companies have dealt with them.

(4) The information referred to in Paragraph 1 shall be disclosed together with the annual financial statement referred to in Article 60(1)(1), respectively together with the report referred to in Article 85(1) of the Markets in Financial Instruments Act

for the year concerned.

(5) When implementing the engagement policy, the management company shall comply with the provisions of Article 104(1)(5) and Article 105(1)(4).

Article 106. (1) (Amended, SG No. 109/2013, effective 20.12.2013) The management company may conclude a contract for delegating to a third party the functions and actions under Article 86, Paragraph 1 and Paragraph 2, items 1 and 4, subject to compliance with the following requirements:

1. shall notify the Commission at the latest by the end of the business day following the conclusion of the contract with a third party, of the contract conclusion and the essential conditions of the contract;

2. conclusion of a contract with a third party shall not hamper the effective exercise of the supervisory functions by the Commission or the Deputy Chairperson and shall not affect the management of the collective investment scheme in the best interests of investors;

3. (amended, SG No. 109/2013, effective 20.12.2013) may not conclude a contract with a third party whose interests may come into conflict with the interests of the management company, collective investment scheme, or sovereign wealth fund it manages;

4. the contract with the third party shall contain provisions enabling the persons that manage the management company to exercise effective supervision at all times over the activities of the third party in connection with the performance of the concluded contract, including to receive periodically and/or on request information from such third party;

5. the contract with the third party shall contain provisions enabling the persons that manage the management company to give at any time additional instructions to the counterparty under the contract and unilaterally terminate it without notice, if this is in the interests of the investors;

6. the third party shall have the necessary technical and organizational procedures and qualified employees to perform the functions and actions delegated;

7. (amended, SG No. 109/2013, effective 20.12.2013) the possibility for delegation of functions and actions shall be expressly provided for in the prospectus of the collective investment scheme or sovereign wealth fund;

8. (new, SG No. 109/2013, effective 20.12.2013) functions may not be delegated to an extent that the management company can be no longer deemed a management one with regard to the respective collective investment scheme or sovereign wealth fund, or in a manner that would relegate to it only functions of receiving and forwarding of information.

(2) The Commission shall immediately submit the information under Paragraph 1, item 1 to the competent authorities of the collective investment scheme's home Member State in respect whereof functions and actions for sale and redemption are delegated.

(3) (New, SG No. 109/2013, effective 20.12.2013) Where the delegation of functions and activities under Paragraphs 1 relates to management of investments, the following additional requirements should be met:

1. delegation shall be done in accordance with the criteria of reallocation of investments, periodically established by the management company;

2. a third party to which functions are delegated shall be licensed or registered for asset management purposes, and shall be subject to supervision of compliance with the requirements to performing its activities;

3. there should be cooperation between the Commission and the authority supervising the third party, where investment management functions are delegated to a person from a third country.

(4) (New, SG No. 109/2013, effective 20.12.2013, amended and supplemented, SG No. 95/2017, effective 1.01.2018) Delegation of functions under Paragraph 3 shall be allowed if an approval has been issued in advance to this effect by the Commission by proposal of the Deputy Chairperson. Attached to the application for granting such approval shall be the contract concluded and information and documents certifying the compliance with the requirements under Paragraph 1 and

substantiating the selection of the specific third party, as set forth in an ordinance. The Commission shall come up with a decision according to the procedure under Article 18, paragraphs 2 - 6.

(5) (Renumbered from Paragraph 3, amended, SG No. 109/2013, effective 20.12.2013) Delegation of functions and actions under Paragraphs 1 shall not release the management company, the depositary respectively, from the responsibilities under the management contract, the contract for depositary services respectively.

(6) (Renumbered from Paragraph 4, supplemented, SG No. 109/2013, effective 20.12.2013) Additional requirements in relation to delegation of functions under Paragraph 1, outside the ones under Paragraph 3, shall be set out in an ordinance.

(7) (New, SG No. 102/2019) The agreement between a collective investment scheme and a counterparty in relation to a total return swap or other derivative financial instruments with the same characteristics shall be considered delegation of functions for investment management under Paragraph 3 where the counterparty has the power to make decisions on the content or management of the investment portfolio of a collective investment scheme or on the underlying exposures of the derivative financial instruments.

Article 107. (Amended, SG No. 34/2015, SG No. 15/2018, effective 16.02.2018) § 4, paragraph 2 of the Markets in Financial Instruments Act shall apply to the management company.

Article 108. (Amended, SG No. 21/2012, SG No. 76/2016, effective 30.09.2016) (1) (Supplemented, SG No. 15/2018, effective 16.02.2018) The management company shall adopt and apply a policy covering all forms of remuneration, such as salaries and other financial and/or material incentives, including benefits relating to voluntary pension and/or health insurance, paid to the following categories of employees in the event their professional activities have a significant impact on the risk profile of the collective investment schemes managed by the management company:

1. senior management;

2. employees whose duties involve risk taking;

3. employees with control functions;

4. all other employees the remuneration of which is commensurate with the remunerations of the employees under Items 1 and 2, and whose professional activities affect the risk profile of the collective investment schemes managed by the company.

(2) (New, SG No. 15/2018, effective 16.02.2018) The remunerations under paragraph 1 shall not include extra payments or benefits, which are part of a common non-discretionary policy applicable to the entire management company and which do not encourage risk-taking.

(3) (Renumbered from Paragraph 2, SG No. 15/2018, effective 16.02.2018) The remuneration policy referred to in Paragraph (1) shall promote sound and effective risk management in the management company and shall not encourage risk-taking incommensurate to the risk profiles, rules or instruments of incorporation of the managed collective investment schemes, and shall not prejudice the discharging of the obligation of the management company to act in the best interest the collective investment scheme.

(4) (Renumbered from Paragraph 3, SG No. 15/2018, effective 16.02.2018) When developing and implementing the remuneration policy referred to in Paragraph (1), the management company shall comply with the following requirements, taking into account the size and organisation of the management company and the nature, scope and complexity of its operations:

1. the remuneration policy shall be in line with the principles of sound and effective risk management and shall promote it by not encouraging risk-taking incommensurate to the risk profiles, statute, rules or instruments of incorporation of the managed collective investment schemes;

2. the remuneration policy shall correspond to the business strategy, objectives, values and interests of the management company and the managed investment schemes or the investors therein, and shall contain measures for preventing conflicts of interests;

3. the remuneration of the individuals referred to in Item 1 of Paragraph (1), having functions in the field of risk management and compliance, shall be directly controlled by the remuneration committee, if such a committee has been established in the management company;

4. the individuals specified in Item 3 of Paragraph (1) shall receive remuneration based on the achievement of the objectives relating to their functions, regardless of the performance of the sectors these individuals control;

5. where the remuneration is performance related, its total amount shall be based on a combination of a performance assessment of the corresponding individual and of the organisational unit where he/she works or of the relevant collective investment scheme, its risk profile, and the overall performance of the management company; the individual performance assessment shall be based on financial and non-financial indicators;

6. performance assessment shall form part of an assessment process covering a period of several years, consistent with the holding period recommended to the investors in the collective investment scheme managed by the management company, to ensure that the assessment is based on longer-term performance of the collective investment scheme and its risk profile, and that the actual payment of the performance-based components of the remuneration is spread over the same period;

7. guaranteed variable remuneration shall be granted only as an exception when appointing new staff and only for the first year following their appointment;

8. the appropriate balance between fixed and variable remuneration shall be determined, and fixed remuneration shall represent a sufficiently high proportion of the total remuneration and shall allow the implementation of a flexible policy with regard to the variable remuneration components, including the possibility that variable remuneration will not be paid;

9. payments related to early termination of contracts shall reflect the performance achieved over time and shall be determined in a manner that does not encourage failure;

10. measurement of performance used to calculate variable remuneration components or pools of variable components shall include a comprehensive adjustment mechanism in order to take account of all current and future risks;

11. depending on the legal and organisational form of the collective investment scheme and its statute, rules or instruments of incorporation, at least 50 percent of the variable remuneration shall consist of units or shares in the corresponding collective investment scheme or equivalent rights of ownership, or instruments linked to shares, or equivalent non-cash instruments with incentives with the same efficiency as other instruments, and this threshold may be lower if the management of the collective investment scheme represents less than 50 percent of the overall portfolio managed by the management company;

12. (supplemented, SG No. 102/2019) the instruments referred to in Item 11 shall be subject to an appropriate retention policy designed to align incentives with the interests of the management company, the collective investment schemes managed and the unit-holders, and the retention policy shall also apply both to the non-deferred and deferred portions of the variable remuneration referred to in Item 13;

13. not less than 40 percent of the variable remuneration shall be deferred for a period of at least three years, depending on the holding period recommended to the investors in the collective investment scheme and in accordance with the nature of the risks of the corresponding scheme; this remuneration shall be paid proportionally over time, and if the amount of the variable remuneration is particularly large, the payment of at least 60 percent of the amount shall be deferred;

14. (amended, SG No. 102/2019) variable remuneration, including the deferred portion thereof, shall be paid only if it is consistent with the overall financial position of the management company and is justified by the results of the organisational unit in which the individual is employed, of the relevant collective investment scheme and of the respective employee, and in the event of unsatisfactory or negative financial results of the management company or the relevant collective investment scheme, the total amount of the variable remuneration shall be considerably reduced, including by reducing ongoing compensations, reduction of amounts accrued for prior periods, or recovery of already accrued remuneration;

15. the policy with regard to retirement benefits shall be in line with the business strategy, objectives, values and long-term interests of the management company and the collective investment schemes managed by it; in the event that an employee leaves before retirement, the retirement benefit shall be retained by the management company in the form of instruments referred to in Item 11 for a period of 5 years, and when an employee reaches retirement age, the retirement benefit shall be paid in the form of instruments referred to in Item 11, which the employee shall not have the right to transfer for a period of 5 years;

16. employees shall be obliged not to implement personal strategies for reducing risk or insurance in relation to their remuneration or liability for the purpose of reducing the risk linked effects on their remuneration provided for in their contracts;

17. variable remuneration shall not be paid using instruments or methods allowing to circumvent the requirements set out in Items 1 - 16.

(5) (Renumbered from Paragraph 4, SG No. 15/2018, effective 16.02.2018, amended, SG No. 24/2018, effective 16.02.2018) The requirements specified in Paragraph (4) shall apply to all kinds of benefits paid by the management company, to all amounts paid directly by the collective investment schemes, including performance-based fees, and to all transfers of units or shares in collective investment schemes in favour of the individuals specified in Paragraph (1) or to any other employee whose total remuneration is commensurate to the remuneration of the individuals specified in Paragraph (1).

(6) (New, SG No. 15/2018, effective 16.02.2018, amended, SG No. 24/2018, effective 16.02.2018) The management company may waive the requirements of paragraph 4, items 11 - 13 for the persons under paragraph 1 if the total amount of the annual variable remuneration of the person concerned does not exceed 30 per cent of his/her total fixed remuneration and does not exceed BGN 30,000.

(7) (Renumbered from Paragraph 5, SG No. 15/2018, effective 16.02.2018, amended, SG No. 24/2018, effective 16.02.2018, supplemented, SG No. 102/2019) The remuneration policy referred to in Paragraph (1) shall be adopted by the management body of the management company. Members of the management body of the management company not entrusted with management functions and having experience in the field of risk management and remuneration shall conduct periodic reviews of the compliance with the requirements specified in Paragraph (4) at least once a year, but not later than 30 days from the end of the calendar year covered by the review, and shall be responsible for and monitor their compliance.

(8) (Renumbered from Paragraph 6, SG No. 15/2018, effective 16.02.2018) The implementation of the remuneration policy shall be subject to central and independent internal review by the compliance department at least once a year, but not later than 90 days after the end of the calendar year covered by the review.

(9) (New, SG No. 15/2018, effective 16.02.2018) For the purposes of this Article, fixed remunerations shall be all payments or other benefits, which are defined in advance and do not depend on the result achieved. For the purposes of this Article, variable remunerations shall be all extra payments or other benefits which are determined and paid, depending on the result achieved or other contractually negotiated conditions.

(10) (Renumbered from Paragraph 7, SG No. 15/2018, effective 16.02.2018) Other requirements to the activities of management companies, including to the remuneration policy, the persons covered by it and its communication, to the general conditions referred to in Item 4 of Article 95 (2), to the rules referred to in Item 6 of Article 95 (2), and to the natural persons working under contracts for the management company, as well as to the capital adequacy and liquidity shall be set out in an ordinance of the Commission.

(11) (Amended, SG No. 95/2017, effective 1.01.2018, renumbered from Paragraph 8, SG No. 15/2018, effective 16.02.2018) Upon request, the Commission shall submit to the ESMA information regarding the remuneration policies of management companies and the practices for their implementation.

Article 108a. (New, SG No. 76/2016, effective 30.09.2016) (1) A management company which is significant in terms of size, organisation, nature, scope and complexity of its operations or size of the managed collective investment schemes, shall establish a remuneration committee. The remuneration committee shall be established in a way that ensures a competent and independent assessment of the remuneration policy referred to in Article 108 (1) and the practice of the management company for its implementation, as well as the introduced incentives for risk management.

(2) The remuneration committee shall comprise of the members of the management body of the management company not entrusted with management functions, and one of them shall be its chairperson.

(3) The remuneration committee shall be responsible for drafting the decisions of the management body relating to remuneration, including the decisions affecting the risk of and the risk management in the management company or the managed collective investment schemes.

(4) When making decisions, the remuneration committee shall take into account the long-term interests of investors and other interested parties, and the public interest.

(5) (Amended, SG No. 15/2018, effective 16.02.2018) The criteria for determining significant management companies for the purposes of the requirements for the remuneration policy shall be governed by the ordinance referred to in Article 108 (10).

TITLE THREE

PURSUIT OF BUSINESS BY A MANAGEMENT COMPANY AND MARKETING OF UNITS OF A COLLECTIVE INVESTMENT SCHEME WITHIN THE EUROPEAN UNION

Chapter Twelve
PURSUIT OF BUSINESS BY A MANAGEMENT COMPANY ESTABLISHED IN THE REPUBLIC OF BULGARIA ON THE TERRITORY OF ANOTHER MEMBER STATE. PURSUIT OF BUSINESS IN THE REPUBLIC OF BULGARIA BY A MANAGEMENT COMPANY ESTABLISHED IN ANOTHER MEMBER STATE

Section I
Pursuit of business on the territory of another Member State by a management company established in the Republic of Bulgaria

Article 109. (1) A management company which intends to establish a branch in a host Member State shall notify in advance the Commission thereof. All branches established by the management company in a host Member State shall be regarded a single branch.

(2) The notification under Paragraph 1 shall contain:

1. indication of the host Member State in which the management company intends to establish a branch;

2. a business programme, including information about the type and scope of activities and services to be provided by the management company in the host Member State, as well as the organizational structure of the branch, including risk management rules of the management company and description of the procedures and measures for handling in an appropriate manner of investors' complaints and for elimination of the restrictions for exercise of the rights of investors by the host Member State;

3. the address in the host Member State at which documents may be received;

4. the names of the persons who are responsible for the management of the branch.

(3) The Commission shall provide the relevant competent authority of the host Member State with the information under Paragraph 2 within one month from receipt thereof, and where additional information and documents were required, within one month from receipt thereof, as well as information about the applicable investor compensation system in the country in which the management company participates. The Commission shall immediately notify the management company about the information provided under sentence one.

(4) (Amended, SG No. 77/2018, effective 1.01.2019) The Commission may refuse, within the time limit under Paragraph 2, to provide the information under Paragraph 2 to the relevant competent authority of the host Member State with a reasoned decision, if the administrative structure or the financial condition of the management company does not secure the interests of the investors. The management company shall be notified in writing of the decision taken within three days. The decision on the refusal shall be subject to appeal before the Administrative Court - Sofia Region.

(5) The Commission shall notify the European Commission and the European Securities and Markets Authority established with Regulation (EU) No. 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No. 716/2009/EC and repealing Commission Decision No. 2009/77/EC (OJ, L 331/84 of 15 December 2010) of the number and nature of cases of refusal under Paragraph 4.

(6) Where the management company wishes to pursue the activity of collective management of a portfolio of a collective investment scheme in the host Member State, the Commission shall enclose to the documentation that is to be sent to the competent authorities of the management company's host Member State an attestation that the respective management

company has been granted the relevant authorisation in accordance with the provisions of this Act, a description of the scope of the authorisation of the management company and details of any restrictions on the type of collective investment schemes the management company is authorised to manage.

(7) The management company may establish a branch and take up business on the territory of the host Member State upon receipt of notification from the relevant competent authority of the host Member State, after expiry of two months from the notification under Paragraph 3 respectively, if it has not received a notification within that time limit from the relevant competent authority of the host Member State.

(8) The management company that has established a branch in a host Member State shall notify in writing the Commission and the relevant competent authority of the host Member State of any change in the data and documents under Paragraph 2 at least one month before effecting the change. Paragraphs 4 and 7 shall apply accordingly.

(9) (New, SG No. 16/2022) Where it finds that, as a result of a change in the data and documents under Paragraph 2, the management company will cease to comply with the requirements of this Act, the Commission shall notify the management company in writing within 15 business days of receipt of the notification referred to in Paragraph 8 that the change should not be made. The Commission shall notify the relevant competent authority of the host Member State of the circumstances referred to in sentence one.

(10) (New, SG No. 16/2022) Where the data and documents under Paragraph 2 have changed following the notification referred to in Paragraph 9, as a result of which the management company no longer complies with the requirements of this Act, the Commission shall take the relevant measures under this Act and the Financial Supervision Commission Act. The Commission shall notify immediately the relevant competent authority of the host Member State of the measures taken under sentence one.

(11) (Renumbered from Paragraph 9, SG No. 16/2022) The Commission shall update the information contained in the attestation under Paragraph 6 and shall inform the competent authorities of the host Member State of any change in the scope of the authorisation of the management company or in detail – of any restriction on the type of collective investment schemes which the management company is authorised to manage.

(12) (Renumbered from Paragraph 10, SG No. 16/2022) The management company shall observe the applicable rules on the territory of the host Member State, corresponding to the rules under Article 105.

Article 110. (1) A management company that intends to pursue business in a host Member State under the freedom to provide services without opening a branch on its territory shall notify in advance the Commission thereof.

(2) The notification under Paragraph 1 shall contain:

1. indication of the host Member State in which the management company intends to pursue activity;

2. a business programme, including information about the type and scope of activities and services to be provided by the management company in the host Member State, the risk management rules of the management company and description of the procedures and measures for handling in an appropriate manner of investors' complaints and for elimination of the restrictions for exercise of the rights of investors by the host Member State.

(3) Where a management company wishes to pursue the activity of collective management of a portfolio of a collective investment scheme in the host Member State, the Commission shall enclose to the documentation under Paragraph 2 an attestation that the respective management company has been granted the relevant authorisation in accordance with the provisions of this Act, a description of the scope of the authorisation of the management company and details of any restrictions on the type of collective investment schemes the management company is authorised to manage.

(4) The Commission shall provide the relevant competent authority of the host Member State with the information under Paragraph 2 within one month from receipt thereof, as well as information about the applicable investor compensation system in the country in which the management company participates. The Commission shall immediately notify the management company about the information provided under sentence one.

(5) The management company may take up business on the territory of the host Member State upon receipt of notification that the information under Paragraph 4 is provided by the Commission.

(6) If the management company delegates to a third party the sale and redemption of units of collective investment schemes it manages to be performed on the territory of the host Member State, it shall notify in advance the Commission thereof.

(7) The management company shall observe the rules under Article 105.

(8) The management company shall notify in writing the Commission and the relevant competent authority of the host Member State of any change in the programme under Paragraph 2, item 2 at least one month before effecting the change.

(9) The Commission shall update the information contained in the attestation under Paragraph 3 and shall inform the competent authorities of the host Member State of any change in the scope of the authorisation of the management company or in detail - of any restriction on the type of collective investment schemes which the management company is authorised to manage.

Article 111. Where the management company wishes to market, without establishing a branch, the units of a collective investment scheme which it manages in a Member State other than the home Member State of the collective investment scheme without pursuing other activities or services, chapter thirteen shall apply.

Section II

Pursuit of business in the Republic of Bulgaria by a management company established In another Member State

Article 112. A management company established in another Member State, which has been granted licence to pursue business as management company in accordance with Directive 2009/65/EC by the relevant competent authority of such Member State, may pursue the business for which the licence has been granted on the territory of the Republic of Bulgaria through a branch or under the freedom to provide services. All branches established by the management company shall be regarded a single branch.

Article 113. (1) Within two months from receipt of information with the content under Article 109, Paragraph 2 and attestation with the content under Article 109, Paragraph 6 about a management company from another Member State which intends to establish a branch on the territory of the Republic of Bulgaria, the Commission shall take preparatory actions for exercise of supervision over the management company within its competence.

(2) The management company from another Member State may establish a branch and take up business on the territory of the Republic of Bulgaria upon receipt of notification from the Commission, upon expiry of the time limit under Paragraph 1 respectively, if no notification is received within that time limit.

(3) The management company from another Member State which has established a branch and pursues business under Paragraph 2 shall notify the Commission of any change in the data and documents under Article 109, Paragraph 2 at least one month before effecting the change.

(4) The Commission shall accept as up-to-date the information contained in the attestation provided by the relevant competent authority, until it is notified by the relevant competent authority of a change in the data specified in the attestation.

(5) The management company from another Member State which pursues business through a branch on the territory of the Republic of Bulgaria shall observe the rules under Article 105.

Article 114. (1) A management company from another Member State that intends to pursue business in the Republic of Bulgaria under the freedom to provide services without opening a branch on its territory may take up the business upon receipt of information by the Commission from the relevant competent authority on the business programme of the management company in the country.

(2) The information under Paragraph 1 shall contain details about any compensation scheme intended to protect investors in which the management company participates.

(3) Where the management company wishes to pursue portfolio management business the relevant competent authority of the Member State shall enclose to the business programme an attestation that the management company has been granted authorisation under Directive 2009/65/EC, a description of the scope of authorisation and details about any restrictions on the type of the collective investment schemes the management company is authorised to manage.

(4) The management company from another Member State shall notify the Commission of any change in the data and documents under Paragraph 1 at least one month before effecting the change.

(5) The Commission shall accept as up-to-date the information contained in the attestation provided by the relevant competent authority, until it is notified by the relevant competent authority of a change in the data specified in the attestation, including any change in the scope of the authorisation of the management company or in detail - regarding any restriction on the type of the collective investment schemes the management company is authorised to manage.

(5) The management company from another Member State which pursues business on the territory of the Republic of Bulgaria under the freedom to provide services shall observe the rules under Article 105.

Section III

Applicable law to the pursuit of business on the territory of another Member State by a management company established in the Republic of Bulgaria by establishing a branch or under the freedom to provide services

Article 115. The Commission shall exercise supervision over the management companies to which it granted authorisation, irrespective of their pursuit of business in another Member State through a branch or under the freedom to provide services, without prejudice to the provisions of Directive 2009/65/EC assigning responsibility to the competent authorities of the management company's host Member State.

Article 116. (1) The management company established in the Republic of Bulgaria, which pursues a portfolio management business in another Member State by establishing a branch or under the freedom to provide services, shall observe the provisions of this Act regarding the organisation of the management company, including the regime of delegation, the risk management procedures, the prudential rules and the supervision rules, the requirements under Article 104 and the requirements for disclosure of information of the management company.

(2) The Commission shall exercise supervision over the compliance with the rules under Paragraph 1.

Article 117. (1) The management company shall observe the rules of the collective investment scheme's home Member State for the constitution and functioning of the collective investment scheme and, in particular, the rules pertaining to:

1. the constitution and granting of authorisation to a collective investment scheme;

2. the issue and redemption of units;

3. the investment policy and restrictions, including calculation of the total exposure and leverage;

4. restrictions on receiving and granting loans and execution of short sales;

5. valuation of the assets and reporting of the collective investment scheme;

6. calculation of the issue value and the redemption price, correction of errors in the calculation of the net asset value and relevant compensation for investors;

7. distribution or reinvestment of income;

8. the requirements for disclosure of information about the collective investment scheme, including prospectuses, key investor information and financial statements;

9. the regime of marketing units of a collective investment scheme;

10. relationships with the unit-holders;

11. restructuring of a collective investment scheme;

12. the liquidation of a collective investment scheme;

13. the content of the register of unit-holders, where applicable;

14. the fees for authorisation of and supervision over collective investment schemes, and

15. exercise of the voting right and other rights of the unit-holders relating to Paragraphs 1 - 13.

(2) The management company shall perform the duties laid down in the rules, in the statute respectively, and in the prospectus of the collective investment scheme or in its constituent instruments, and the duties laid down in the prospectus which are in compliance with the applicable law of the home Member State of the collective investment scheme.

(3) The management company shall take the necessary decisions and shall be responsible for the adoption and application of all measures and organisational decisions that are necessary to ensure compliance with the rules for the constitution and functioning of the collective investment scheme and in compliance with the duties laid down in its rules, in the statute respectively, and in the prospectus of the collective investment scheme or in its constituent instruments, as well as the duties laid down in the prospectus.

(4) The Commission shall be responsible for the exercise of supervision over the adequacy of the measures and organisation of the management company so that they are capable of performing the duties and the rules for the constitution and functioning of all collective investment schemes it manages.

Section IV

Applicable law to the pursuit of business on the territory of the Republic of Bulgaria by a management company established in another Member State by establishing a branch or under the freedom to provide services

Article 118. A management company established in another Member State, which pursues a portfolio management business in the Republic of Bulgaria by establishing a branch or under the freedom to provide services shall observe the rules of the home Member State regarding the organisation of the management company, including the regime of delegation, the risk management procedures, the prudential rules and the supervision rules, the requirements under Article 104 and the reporting requirements of the management company.

Article 119. (1) The management company shall observe the provisions of Article 117, Paragraph 1 for the constitution and functioning of the collective investment scheme.

(2) (Amended, SG No. 102/2019) The management company shall perform the duties laid down in the rules, in the statute respectively and in the prospectus of the collective investment scheme or in its constituent instruments, and the duties laid down in the prospectus which are in compliance with the provisions of Article 117, Paragraph 1, and Article 118.

(3) The Commission shall exercise supervision over the compliance with the provisions of Paragraphs 1 and 2.

(4) The management company shall take the necessary decisions and shall be responsible for the adoption and application of all measures and organisational decisions that are necessary to ensure compliance with the rules for the constitution and functioning of the collective investment scheme and in compliance with the duties laid down in its rules, in the statute respectively and in the prospectus of the collective investment scheme or in its constituent instruments, as well as the duties laid down in the prospectus.

Section V

Management of a collective investment scheme established in the Republic of Bulgaria by a management company established in another Member State

Article 120. (1) (Amended, SG No. 102/2019) A management company established in another Member State, which has been granted a licence to pursue business as management company under Directive 2009/65/EC and which wishes to manage a collective investment scheme established in the Republic of Bulgaria shall file an application to the Commission according to a standard form approved by the Deputy Chairperson, enclosing the following documents:

1. (amended, SG No. 109/2013, effective 20.12.2013, SG No. 76/2016, effective 30.09.2016) a written contract with a depositary under Article 35;

2. information about the delegation regime regarding the functions for management and administration of investments under Article 86, Paragraph 1;

3. attestation from the competent authorities of the management company's home Member State in accordance with Article 113, Paragraph 1 or Article 114, Paragraph 3.

(2) If the management company already manages another collective investment scheme of the same type in the Republic of Bulgaria, it shall submit information about the already filed documents under Paragraph 1 pertaining to the new collective investment scheme.

(3) To ensure compliance with the applicable rules by the management company pursuing the activity under Paragraph 1, for the supervision over the compliance whereof the Commission is responsible, the Commission may request from the competent authorities of the management company's home Member State to provide it, within 10 business days from sending the request, with clarifications or information about the documents under Paragraph 1 and the attestation under Paragraph 1, item 3 whether the type of the collective investment scheme for which authorisation is requested is within the scope of the management company's authorisation.

(4) (Amended, SG No. 102/2019) The Commission shall come up with a decision under Article 12, Paragraphs 4 – 6 and 8.

(5) The management company shall notify the Commission of any subsequent material change in the documents under Paragraph 1.

Article 121. (1) The Commission may reject the application of the management company if it:

1. does not observe the applicable rules under Article 119;

2. has no authorisation from the competent authority of the home Member State to manage the type of the collective investment scheme for which authorisation is requested;

3. has not submitted the documents under Article 120, Paragraph 1.

(2) Before rejecting the application, the Commission shall consult the competent authorities of the management company's home Member State.

Section VI

Management of a collective investment scheme established in another Member State by a management company established in the Republic of Bulgaria

Article 122. (1) (Amended, SG No. 16/2022) The management company shall take the measures under Article 130, Paragraph 1 to ensure opportunities for effecting payments in favour of unit-holders, redemption of units and providing investor information.

(2) The management company shall have appropriate procedures and measures ensuring in an appropriate manner the handling of investor complaints as well as that no restrictions exist for the exercise of the rights of investors. Such measures shall allow investors to lodge complaints in the official language or in one of the official languages of their Member State.

(3) The management company shall establish appropriate procedures and measures for provision of information on request by the public and the Commission.

Article 123. The Commission shall, within 10 business days from receipt of a request from a competent authority of a Member State to which a management company established in the Republic of Bulgaria has filed an application for management of a collective investment scheme established in such Member State has provided it with clarifications or information on the documents enclosed to the application and on the attestation prepared by the Commission under Article 109, Paragraph 6 whether the type of the collective investment scheme which the management company wishes to manage falls within the scope of the types of collective investment schemes which the management company is authorised to manage in accordance with the licence granted by the Commission.

Section VII

Supervision over the pursuit of business by a management company on a cross-border basis by establishing a branch or under the freedom to provide services

Article 124. (1) The Commission may require for statistical purposes from every management company established in another Member State and pursuing business through a branch to periodically provide it with information about the activities pursued in the Republic of Bulgaria.

(2) The Commission may require from a management company established in another Member State and pursuing business on the territory of the Republic of Bulgaria through a branch or under the freedom to provide services to provide it with information that is necessary for exercise of supervision over compliance with the applicable rules for which the Commission is responsible.

(3) The management company established in another Member State, which manages a collective investment scheme whose home Member State is the Republic of Bulgaria, shall ensure that the procedures and measures set out in Article 122 allow the Commission to receive the information under Paragraph 2 directly from the management company.

(4) Where the Commission finds that a management company established in another Member State which pursues business through a branch or under the freedom to provide services on the territory of the Republic of Bulgaria infringes any of the rules for whose compliance the Commission is responsible, it shall require from the respective management company to cease the infringement and shall notify the competent authorities of the management company's home Member State.

(5) Where the management company under Paragraph 4 refuses to provide the Commission with the required information or fails to take the required measures for cessation of the infringement found, the Commission shall notify the competent authorities of the management company's home Member State thereof.

(6) (Amended, SG No. 21/2012) Where despite the measures taken by the competent authorities for provision of the requested information, the cessation of the infringement of which the Commission is notified on a timely basis or due to the fact that such measures are inadequate or not exist in the relevant Member State, the management company still refuses to provide the information required by the Commission under Paragraph 2 or breaches this Act and the instruments for its application, the Commission may:

1. after notifying the competent authorities of the management company's home Member State, enforce the required measures to prevent or penalise new irregularities, to the extent necessary for prevention of activity on the territory of the Republic of Bulgaria by the management company;

2. refer the matter to ESMA, should it deem that the competent authorities of the management company's home Member State have not taken the appropriate measures.

(7) Where a service provided on the territory of the Republic of Bulgaria constitutes management of a collective investment scheme, the Commission may require from the management company to cease the management of such collective investment scheme.

(8) Before enforcing the procedure set out in Paragraphs 5 and 6, the Commission may, in case of emergency, enforce a preventive measure that is necessary to protect the interests of the investors and the other persons to whom services are provided by informing the European Commission, the European Securities and Markets Authority and the competent authorities of the other affected Member States within short terms. At the request of the European Commission, the Commission may repeal or amend the measure.

Article 125. At request, the Commission shall provide consultation to the competent authorities of the management company's home Member State, before withdrawing the authorisation, the licence respectively of the management company, and shall take appropriate measures for protecting the interests of investors. Such measures may include decisions on preventing the execution of new transactions on the territory of the Republic of Bulgaria by the management company.

Article 126. (1) Where a management company established in the Republic of Bulgaria infringes the rules for the compliance therewith the competent authorities of the host Member State are responsible, and despite a request made by such authorities such management company fails to cease the infringement after being informed thereof by the competent authorities of the host Member State, the Commission shall take all appropriate measures as soon as possible for the management company to provide the information required by the host Member State or cease such infringement. The Commission shall inform the

competent authority of the host Member State of the measures taken.

(2) The Commission, with the collaboration of the relevant public authorities, shall provide opportunity on the territory of the Republic of Bulgaria for the serving of the acts for the measures taken against them by the competent authorities of the host Member State.

Article 127. (Supplemented, SG No. 21/2012) The Commission shall communicate to the European Commission and ESMA the number and nature of the cases wherein it has refused authorisation under Article 109, Paragraph 1, has rejected an application under Article 121, Paragraph 1 or has taken measures under Article 124, Paragraphs 6 and 7.

Chapter Thirteen

MARKETING OF UNITS OF A COLLECTIVE INVESTMENT SCHEME ESTABLISHED IN ANOTHER MEMBER STATE ON THE TERRITORY OF THE REPUBLIC OF BULGARIA. MARKETING OF UNITS OF A COLLECTIVE INVESTMENT SCHEME ESTABLISHED IN THE REPUBLIC OF BULGARIA ON THE TERRITORY OF ANOTHER MEMBER STATE

Section I
Marketing of units of a collective investment scheme established in another Member State on the territory of the Republic of Bulgaria

Article 128. (1) A collective investment scheme established in another Member State may market its units on the territory of the Republic of Bulgaria after the competent authority of such Member State notifies the Commission.

(2) The notification shall be made by forwarding of the notification letter prepared by the collective investment scheme, accompanied by an attestation issued by the competent authority of the collective investment scheme's home Member State, certifying compliance of the scheme with the requirements set out in Directive 2009/65/EC.

(3) The notification letter shall contain information about the measures taken for marketing of the units of the collective investment scheme on the territory of the Republic of Bulgaria, the measures for marketing the respective classes of shares, and in the cases under Article 111, also information that the units will be marketed by the scheme's management company, enclosing the following thereto:

1. the constituent instruments of the collective investment scheme, the prospectus, the last annual and half-yearly reports in Bulgarian or English, translated in accordance with Article 131, Paragraph 2;

2. the document with the key investor information in Bulgarian, translated in accordance with Article 131, Paragraph 2.

(4) (New, SG No. 16/2022) The notification letter shall contain the address, as well as the other information necessary for the issuance of an invoice or for the communication of the applicable Commission’s fees for supervision, as well as information about the measures under Article 130, Paragraph 1.

(5) (Renumbered from Paragraph 4, amended, SG No. 16/2022) The Commission may not require additional documents, certificates or information other than those referred to in Paragraphs 2 – 4.

(6) (Renumbered from Paragraph 5, SG No. 16/2022) The notification letter and the attestation shall be submitted in English, unless an agreement exists between the Republic of Bulgaria and the collective investment scheme’s home Member State such documents to be submitted in the official languages of the two countries.

(7) (Renumbered from Paragraph 6, SG No. 16/2022) The rules for marketing on the territory of the Republic of Bulgaria of the units of a collective investment scheme established in another Member State set out in this section shall also apply to the marketing of units of separate investment sub-funds of the collective investment scheme.

Article 129. (Repealed, SG No. 16/2022).

Article 130. (Amended, SG No. 16/2022) (1) A collective investment scheme established in another Member State, which

markets its units on the territory of the Republic of Bulgaria, shall take the necessary measures to ensure:

1. the processing of subscription, redemption and other payment orders to unit-holders in accordance with the conditions laid down in the documents required under Chapter Seven;

2. the provision of information to investors on how to submit orders under item 1 and receive redemption amounts;

3. facilitation of the exercise of the rights of the investors and access to the information, procedures and measures under Article 122 in relation to such rights;

4. access of the investors to the information and documents required under Chapter Seven for the purposes of acquainting with them or receiving copies thereof;

5. provision on a durable medium of the information under items 1 - 4 to the unit-holders;

6. a contact person for communication with the Commission.

(2) The collective investment scheme established in another Member State, which markets its units on the territory of the Republic of Bulgaria, may implement the measures referred to in Paragraph 1 by entrusting them to a third party or otherwise, which shall be implemented without physical presence in the territory of the Republic of Bulgaria.

(3) A collective investment scheme established in another Member State, which markets its units on the territory of the Republic of Bulgaria, shall ensure the implementation of the measures referred to in Paragraph 1, including by the use of electronic means, in the Bulgarian language, directly and/or by entrusting it to a third party designated by it. The implementation of the measures referred to in paragraph 1 may be entrusted to a third party if the following conditions are met:

1. the third party is subject to supervision in respect of the implementation of the measures referred to in paragraph 1, entrusted to it by the collective investment scheme;

2. a written contract has been concluded between the collective investment scheme and the third party, setting out which measures under Paragraph 1 shall not be implemented directly by the collective investment scheme and the obligation of the collective investment scheme to provide all the necessary information and documents to the third party for implementation of the measures under Paragraph 1.

Article 131. (1) (Amended, SG No. 102/2019) A collective investment scheme established in another Member State shall provide to investors in the Republic of Bulgaria access to all the information and documents available to the investors in its home Member State in the manner set out for their provision in Chapter Seven.

(2) The document with the key investor information shall be provided to the investors in the Republic of Bulgaria in Bulgarian, and any other information may be provided at the choice of the collective investment scheme in Bulgarian or in English. The translation of the document with the key investor information and of any other information shall reflect accurately and completely the content of the original.

(3) The requirements for provision of information and documents under this Article shall also apply to any subsequent change and update.

Article 132. (1) A collective investment scheme established in another Member State shall publish in appropriate manner information about the issue value and redemption price of its units on the territory of the Republic of Bulgaria with a frequency set out in the laws, regulations and administrative acts of the home Member State.

(2) The collective investment scheme shall notify the Commission of the frequency and manner of publication of the information under Paragraph 1.

Article 133. A collective investment scheme established in another Member State when pursuing business on the territory of the Republic of Bulgaria may use the same reference to the legal form ("investment company", or "common (mutual) fund") used by it in the home Member State.

Article 134. (1) The control on the compliance with the requirements under Articles 130 - 132 and with the laws, regulations and administrative acts falling outside the applicable scope of Directive 2009/65/EC and which apply to the business of a collective investment scheme established in another Member State on the territory of the Republic of Bulgaria shall be exercised

by the Commission.

(2) Where there is sufficient data certifying infringement of the obligations of a collective investment scheme established in another Member State arising from the provisions of Directive 2009/65/EC, the control over compliance whereof is not within the competence of the Commission, the Commission shall notify the competent authority of the scheme's home Member State.

(3) If the measures taken by the competent authority of the scheme's home Member State are insufficient, inappropriate or untimely and as a result any subsequent marketing of units of the collective investment scheme threatens or harms the interests of investors in the Republic of Bulgaria, the Commission may take one of the following actions:

1. (supplemented, SG No. 21/2012) after notifying the competent authority of the collective investment scheme's home Member State, the Commission may take appropriate measures to protect the interests of the investors, including by suspending the marketing of the units of the scheme on the territory of the Republic of Bulgaria; the Commission shall immediately notify the European Commission and ESMA of the measures taken;

2. refer the case to the European Securities and Markets Authority.

Article 135. (Amended, SG No. 109/2013, effective 20.12.2013) Where the competent authority of the home Member State of the collective investment scheme pursuing business on the territory of the Republic of Bulgaria notifies the Commission of a decision taken on revocation of the authorisation or on a measure taken for suspension of the issue or redemption or repurchase of the units of a collective investment scheme managed by an investment company established in the Republic of Bulgaria, the Commission may enforce the measures under Article 264 and impose an administrative penalty under Article 273 against the management company for violation of the provisions of this Act and the instruments for its application regarding the business of the management company.

Article 135a. (New, SG No. 16/2022) (1) A collective investment scheme established in another Member State which markets its units on the territory of the Republic of Bulgaria may withdraw the notification of their marketing, including, where applicable, withdraw the notification of the marketing of the relevant classes of units notified under Article 128, Paragraph 1, if the following conditions are met:

1. a blanket call for redemption of all units, free of charges or deductions, is made public at least 30 business prior, directly or through financial intermediaries, personally to all investors in the territory of the Republic of Bulgaria whose identity is known;

2. the intention to terminate the marketing of units in the Republic of Bulgaria is made public through publicly available means, which are usually used in the marketing of units of collective investment schemes, including electronically;

3. all contracts with financial intermediaries or third parties entrusted with functions are amended or terminated from the date of withdrawal of the notification of marketing in order to prevent new or subsequent, direct or indirect, marketing or sale of the units referred to in the notification of withdrawal of marketing by the collective investment scheme, which notification shall be forwarded to the Commission by the competent authority of the home Member State.

(2) The information referred to in Paragraph 1, items 1 and 2 shall be presented in Bulgarian and shall clearly describe the consequences for investors if they do not accept the offer for redemption of their shares.

(3) The collective investment scheme originating in another Member State shall terminate any new or subsequent, direct or indirect marketing or sale of its units for which the notification has been withdrawn as of the date of its withdrawal.

(4) A collective investment scheme originating in another Member State which terminates the marketing of its units on the territory of the Republic of Bulgaria, shall continue to provide the investors, who have kept their investment, and the Commission with the information required according to Chapter Seven and Article 131.

(5) In the cases referred to in Paragraph 4, the collective investment vehicle originating in another Member State may use any electronic or other means of communication remotely, provided that such information and communication means are available to investors in Bulgarian language.

(6) With regard to the collective investment scheme from another Member State, which terminates the marketing of its units on the territory of the Republic of Bulgaria under this article, the Commission shall continue to exercise the powers provided for in this Act and in its implementing acts after the date of receipt of all the information under Paragraph 7, with the exception of the powers related to the requirements set out in Article 5 of Regulation (EU) 2019/1156.

(7) The Commission shall receive from the competent authority of the Member State of origin of the collective investment scheme information on all changes in the documents under Article 128.

Section II

Marketing of units of a collective investment scheme established in the Republic of Bulgaria on the territory of another Member State

Article 136. (1) A collective investment scheme for which the Republic of Bulgaria is the home Member State and which intends to market its units on the territory of another Member State shall send in advance to the Commission a notification letter, which shall contain information about the measures taken in regard to the marketing of the units in the host Member State, including, where applicable, the measures for marketing of respective classes of shares, and in the cases of Article 111, also information that the units will be marketed by the scheme's management company.

(2) Enclosed to the notification letter shall be:

1. the statute, the rules of the collective investment scheme respectively, the prospectus, the last annual and half-yearly reports translated in accordance with Article 137, Paragraph 3;

2. the document with the key investor information translated in accordance with Article 137, Paragraph 3.

(3) (New, SG No. 16/2022) The notification letter shall contain the address, as well as the other information necessary for the issuance of an invoice or for the communication of the applicable regulatory fees of the competent authority of the host Member State, as well as information on the measures referred to in Article 130, Paragraph 1.

(4) (Renumbered from Paragraph 3, SG No. 16/2022) If the data and documents provided are incomplete or inconsistent, the Commission shall send a communication thereof to the collective investment scheme.

(5) (Renumbered from Paragraph 4, SG No. 16/2022) Within 10 business days from receipt of the notification letter and the documents enclosed thereto the Commission shall forward them to the competent authority of the Member State in which the collective investment scheme intends to market its units. The Commission shall enclose thereto an attestation of the collective investment scheme’s compliance with the requirements set out in Directive 2009/65/EC.

(6) (Renumbered from Paragraph 5, SG No. 16/2022) The notification letter and the attestation shall be drawn up in English, unless an agreement exists between the Republic of Bulgaria and the host Member State on such documents to be prepared in the official languages of the two countries.

(7) (Renumbered from Paragraph 6, amended, SG No. 16/2022) The Commission shall immediately notify the collective investment scheme of the sending of the documents under Paragraph 5 after making sure that the transmission of all the information has taken place. The collective investment scheme may start marketing its units in the host Member State on the date of receipt of the notification.

(8) (Renumbered from Paragraph 7, SG No. 16/2022) When updating the documents under Paragraph 2 and translating them, the collective investment scheme shall immediately notify the competent authority of the host Member State in the legally prescribed manner, informing the competent authority on how to obtain them electronically.

(9) (Renumbered from Paragraph 8, amended, SG No. 16/2022) In case of a change in the information from the notification letter referred to in Paragraph 1 or an amendment relating to the classes of shares to be offered, the collective investment scheme shall notify the Commission and the competent authority of the host Member State in writing at least one month before the change takes place.

(10) (New, SG No. 16/2022) Where it finds that as a result of a change in the information from the notification letter referred to in Paragraph 1 or an amendment relating to the classes of shares to be offered, the collective investment scheme will cease to comply with the requirements of this Act, the Commission shall inform the collective investment scheme in writing within 15 business days of receipt of the notification referred to in Paragraph 9 that the change or amendment respectively should not be made. The Commission shall notify the relevant competent authorities of the host Member State of the circumstances referred to in preceding sentence.

(11) (New, SG No. 16/2022) In the event of a change in the information from the notification letter referred to in Paragraph 1

or an amendment relating to the classes of shares to be offered after the notification referred to in Paragraph 10, as a result of which the collective investment scheme does not comply with the requirements of this Act, the Commission shall take the relevant measures under this Act and the Financial Supervision Commission Act. The Commission may impose a ban on the offering of a collective investment scheme. The Commission shall notify immediately the relevant competent authorities of the host Member State of the measures taken.

Article 137. (1) A collective investment scheme for which the Republic of Bulgaria is the home Member State and which markets its units on the territory of another Member State shall provide the investors on the territory of the host Member State with the information and documents provided under chapter seven to the investors in the Republic of Bulgaria.

(2) The information and documents under Paragraph 1 shall be provided to investors in the manner laid down in the laws, regulations and administrative acts of the host Member State.

(3) The document with the key investor information shall be provided in the official or one of the official languages of the host Member State or in a language approved by the competent authorities of such Member State. Any information other than the key investor information may be provided at the choice of the collective investment scheme in one of the ways referred to in sentence one, or in English. The translation shall reflect accurately and completely the content of the original.

(4) The requirements for provision of information and documents under this Article shall also apply to any change and update thereto.

Article 138. A collective investment scheme established in the Republic of Bulgaria which markets its units on the territory of another Member State shall publish in such Member State the issue value and redemption price of its units with a frequency set out in this Act and the instruments for its application.

Article 138a. (New, SG No. 16/2022) A collective investment scheme for which the Republic of Bulgaria is the home Member State and which markets its units on the territory of another Member State shall apply the measures under Article 130 to investors in the territory of the host Member State. The information, procedures and documents referred to in Article 130 shall be made available in a language provided for in the national legislation of the host Member State concerned.

Article 139. The control on the business of a collective investment scheme for which the Republic of Bulgaria is the home Member State and which markets its units on the territory of another Member State shall be exercised by the Commission in accordance with the provisions of Article 116 and Article 117, except for the control on the compliance with the requirements corresponding to Articles 130 - 132 in the legislation of the host Member State as well as the laws, regulations and administrative acts of the host Member State falling outside the applicable scope of Directive 2009/65/EC, which shall be exercised by the supervisory authority of the host Member State.

Article 140. (1) When taking a decision on revocation of the licence, the authorisation for pursuit of business as collective investment scheme respectively, on enforcement of a coercive administrative measure for suspension of the redemption of the units or other coercive administrative measure, or on imposing an administrative penalty, the Commission shall immediately communicate its decision to the competent authorities of the host Member State, and where the management company is established in another Member State, the competent authorities of such Member State as well.

(2) In the case under Paragraph 1 the Commission may enforce coercive administrative measures or impose only administrative penalty to the management company, provided that the company infringes provisions for which the Commission is responsible to exercise supervision over compliance therewith, not the competent authority of the management company's home Member State.

Article 140a. (New, SG No. 16/2022) (1) A collective investment scheme originating in the Republic of Bulgaria, which markets its units on the territory of another Member State, may withdraw the notification of their marketing, including, where applicable, to withdraw the notification of the marketing of the relevant classes of shares notified under Article 136, Paragraph 1, if the following conditions are met:

1. a blanket call for redemption of all units, free of charges or deductions, is made public at least 30 business prior, directly or through financial intermediaries, personally to all investors in the territory of the Member State concerned for which the notification of marketing whose identity is known is withdrawn;

2. the intention to terminate the marketing of units in the territory of the Member State concerned is made public through publicly available means, which are usually used in the marketing of units of collective investment schemes, including

electronically;

3. all contracts with financial intermediaries or third parties entrusted with functions are amended or terminated from the date of withdrawal of the notification of marketing in order to prevent new or subsequent, direct or indirect, marketing or sale of the units referred to in the notification under Article 140b.

(2) The information referred to in Paragraph 1, items 1 and 2 shall be presented to investors in the official or one of the official languages of the host Member State or in a language approved by the competent authorities of that State and shall clearly describe the consequences for investors if they do not accept the offer for redemption of their units.

(3) A collective investment scheme originating in the Republic of Bulgaria shall terminate any new or subsequent, direct or indirect marketing or sale of its units for which the notification of marketing has been withdrawn as of the date of its withdrawal.

(4) A collective investment scheme originating in the Republic of Bulgaria which terminates the marketing of its units on the territory of another Member State shall continue to provide the investors and the competent authority of the host Member State with the information required according to Chapter Seven and Article 137.

(5) In the cases referred to in Paragraph 4, the collective investment scheme originating in the Republic of Bulgaria may use any electronic or other means of communication remotely, provided that such information and communication means are available to investors in the official or one of the official languages of the host Member State or in a language approved by the competent authorities of that State.

Article 140b. (New, SG No. 16/2022) (1) A collective investment scheme originating in the Republic of Bulgaria, which withdraws the notification for marketing of its units on the territory of another Member State, shall send a notification to the Commission with the information under Article 140a, Paragraph 1.

(2) The Commission shall check whether the notification under Paragraph 1 is complete within 10 business days of receipt thereof. In case of incompleteness in the notification, the Commission shall send a notification thereof to the collective investment scheme.

(3) Within 15 business days from the date of receipt of all the information relating to the notification referred to in Paragraph 1, the Commission shall transmit the notification to the competent authority of the host Member State and to ESMA, and shall inform the collective investment scheme thereof.

(4) The Commission shall send to the competent authority of the host Member State information on all changes in the documents under Article 136.

Chapter Fourteen
RESTRUCTURING AND WINDING-UP

Section I
Types of restructuring

Article 141. (1) A collective investment scheme for which the Republic of Bulgaria is the home Member State may be restructured only by consolidation or merger, subject to approval by the Commission, provided that all the other collective investment schemes participating in the restructuring are established in the Republic of Bulgaria.

(2) A collective investment scheme for which the Republic of Bulgaria is the home Member State may be restructured only by consolidation or merger, subject to approval by the Commission, provided that the collective investment scheme is the merging one and collective investment schemes established in other Member States participate in the restructuring.

(3) Restructuring through consolidation or merger of collective investment schemes under Paragraph 2 shall also exist in the event of consolidation or merger of separate investment sub-funds into one or several collective investment schemes.

(4) A collective investment scheme for which the Republic of Bulgaria is the home Member State may participate in the restructuring under Article 142, Paragraph 3 where it is not the restructuring scheme and such form of restructuring is allowed under the laws of the restructuring collective investment schemes' home Member State and which has been granted authorisation for their restructuring by the competent authority of such Member State.

(5) A collective investment scheme for which the Republic of Bulgaria is the home Member State may be restructured also by a change of its legal form into a common fund subject to authorisation by the Commission under conditions and procedure set out in an ordinance.

Article 142. (1) In the event of restructuring through merger one or more collective investment schemes or their relevant investment sub-funds (the restructuring collective investment schemes) shall be dissolved without liquidation and shall transfer to another existing collective investment scheme or its investment sub-funds (receiving collective investment scheme) all its assets and liabilities against the provision of units of the receiving collective investment scheme to the holders of units of the restructuring collective investment schemes, and where applicable, against cash in amount not exceeding 10 per cent of the value of the units provided, determined on the basis of the net asset value.

(2) In the event of restructuring through consolidation one or more collective investment schemes or their relevant investment sub-funds (restructuring collective investment schemes) shall be dissolved without liquidation and shall transfer to another collective investment scheme established by them or to its investment sub-funds (a newly established collective investment scheme) all its assets and liabilities against the provision of units of the newly established collective investment scheme to the holders of units of the restructuring collective investment schemes, and where applicable, against cash in amount not exceeding 10 per cent of the value of the units provided, determined on the basis of the net asset value.

(3) In the cases under Article 141, Paragraph 4 one or more collective investment schemes or their relevant investment sub-funds (restructuring collective investment schemes) shall continue to exist until repayment of all outstanding liabilities and shall transfer their net assets to another investment sub-fund of the same collective investment scheme, to an existing collective investment scheme or to another collective investment scheme established by them (receiving or newly established collective investment scheme).

Article 143. (1) The decision on the restructuring of an investment company shall be taken by the general meeting of the company.

(2) The statute of the investment company may not provide for a higher majority in decision-making on the company's restructuring than the majority set out in Article 230 of the Commerce Act.

(3) The decision on the restructuring of a common fund shall be taken by the managing body of the fund's management company.

Article 144. (1) For obtaining authorisation from the Commission under Article 141, Paragraph 1 an application according to a standard form approved by the Deputy Chairperson shall be filed.

(2) The Commission shall issue a decision on the application within 20 business days from receipt thereof, and where additional information and documents were required, within 10 business days from receipt thereof.

(3) Based on the documents provided, the Commission shall establish whether the requirements for granting of the requested authorisation have been complied with. If the information and documents provided are incomplete or inconsistent or additional information or proof of truthfulness of data is required, the Commission shall send a notice and shall set a time limit for removal of the established incompleteness and inconsistencies or for submission of additional information and documents.

(4) If the notice under Paragraph 3 is not received at the correspondence address stated by the applicant, the time limit for submission thereof shall start to run from putting the notice at an especially designated place in the building of the Commission. This fact shall be ascertained by a protocol executed by officials designated by an order of the Chairperson of the Commission.

(5) The Commission may refuse to grant authorisation if the provisions of this Act or the instruments for its application are not complied with or the interests of the investors are not protected. The applicant shall be notified in writing of the decision taken within three days.

(6) The documents that shall be enclosed to the application, the terms and procedure for restructuring under Paragraph 1 shall be set out in an ordinance.

(7) (New, SG No. 109/2013, effective 20.12.2013) By granting authorisation for restructuring by a merger of common funds, as a result of which the newly established common fund will be deemed originating in the Republic of Bulgaria, as well as for restructuring of an investment company into a common fund, the Commission shall grant authorisation to the respective management company to organise and manage the newly established common fund, considered from the date of its origination.

Section II

Granting authorisation for restructuring of a collective investment scheme established in the Republic of Bulgaria where collective investment schemes established in other Member States participate in the restructuring

Article 145. (1) For granting authorisation under Article 141, Paragraph 2 the restructuring collective investment scheme for which the Republic of Bulgaria is the home Member State shall file to the Commission an application according to a standard form approved by the Deputy Chairperson, enclosing thereto:

1. a plan of the proposed restructuring approved by the restructuring collective investment scheme, and in the cases of restructuring through merger, approved by the receiving collective investment scheme as well;

2. a current prospectus and a current document with key investor information of the receiving or the newly established collective investment scheme which is established in another Member State;

3. a declaration of the depositaries of the restructuring and the receiving collective investment schemes that they have verified the compliance of the data under Paragraph 2, items 1, 6 and 7 with the requirements of applicable laws and the rules of the common fund (unit trust) or with the constituent instruments of the investment company;

4. the information on the restructuring which the restructuring collective investment scheme and the receiving collective investment scheme, the newly established collective investment scheme respectively, will provide to the holders of their units.

(2) The plan of the restructuring under Paragraph 1, item 1 shall contain at least the following information:

1. identification of the type of restructuring and of the collective investment schemes participating therein;

2. the background to and rationale for the proposed restructuring;

3. the expected impact of the proposed restructuring on the unit-holders of the restructuring collective investment schemes, and in the cases of restructuring through merger, of the receiving collective investment scheme as well;

4. criteria adopted for valuation of the assets and, where applicable, the liabilities on the date for calculating the exchange ratio as referred to in Article 154;

5. the calculation method of the exchange ratio;

6. the planned effective date of the restructuring;

7. the rules applicable to the transfer of assets and the exchange of units;

8. in the case of restructuring through consolidation - the rules of the constituent instruments of the newly established collective investment scheme.

(3) Collective investment schemes participating in the restructuring may also include additional information to the plan for restructuring.

(4) The documents and the information under Paragraph 1 shall be provided in Bulgarian and in the official language or in one of the official languages of the home Member State of the receiving or the newly established collective investment scheme, or in a language approved by their competent authorities.

(5) Where the Commission considers that the documents and the information provided under Paragraph 1 are incomplete, it shall send a notice to the applicant and shall set a time limit for removal of the incompleteness and inconsistencies found or for submission of additional information and documents within 10 business days from receipt of the application. Article 144, Paragraph 4 shall apply accordingly.

Article 146. (1) Where the Commission considers that the documents and the information provided under Article 145 are complete or after their supplement in accordance with Article 145, Paragraph 5, it shall immediately forward a copy thereof to the competent authorities of the home Member States of the receiving or the newly established collective investment scheme.

(2) When examining the documents and the information under Article 145 the Commission shall take into account the potential impact of the restructuring on the unit-holders of the restructuring collective investment scheme in order to consider whether appropriate information is provided to them.

(3) If the Commission deems it necessary, it may require that the information is presented in a clearer manner to the unit-holders of the restructuring collective investment schemes.

(4) Where the Commission has been notified by the competent authorities of the home Member States of the receiving or the newly established collective investment scheme that in their judgement the information to be provided to the unit-holders of such scheme is not appropriate and has requested that it be changed, the Commission shall issue a decision upon receipt of a notification from such competent authorities of whether they are satisfied with the effected change in the information.

Article 147. (1) The Commission shall issue authorisation for the restructuring, provided that:

1. the proposed restructuring meets the requirements of Articles 145, 146, 149 and 150;

2. the receiving or the newly established collective investment scheme has submitted a notification of the marketing of its units in all Member States in which the restructuring companies have submitted a notification or have obtained authorisation to market their units in accordance with Article 136;

3. the Commission and the competent authorities of the home Member State of the receiving or the newly established collective investment scheme consider that the unit-holders are provided with appropriate information about the restructuring or the Commission has not received information under Article 146, Paragraph 4 that the competent authorities of the home Member State of the receiving or the newly established collective investment scheme consider inappropriate the information about the restructuring that is to be provided to the unit-holders.

(2) The Commission shall notify the restructuring collective investment scheme within 20 business days from receiving the full set of documents under Article 145 of its decision to authorise or not to authorise the restructuring.

(3) The Commission shall notify the competent authorities of the home Member State of the receiving or the newly established collective investment scheme of its decision.

Article 148. (1) Where in the cases of restructuring a receiving or a newly established collective investment scheme for which the Republic of Bulgaria is the home Member State, the Commission receives from the competent authorities of the home Member State of the restructuring collective investment scheme a copy of the information corresponding to that under Article 145, Paragraph 1, and when the Commission examines such information it shall take into account the potential impact of the restructuring on the unit-holders of the collective investment scheme for which the Republic of Bulgaria is the home Member State in order to consider whether the unit-holders are provided with appropriate information about the restructuring.

(2) Should it deem necessary, within 15 days from receipt of a copy of the information corresponding to that under Article 145, Paragraph 1, the Commission may request in writing from the collective investment scheme for which the Republic of Bulgaria is the home Member State to change the information that is to be provided to the holders of its units.

(3) In the cases of Paragraph 2 the Commission shall notify thereof the competent authorities of the home Member State of the restructuring scheme, and within 20 business days from receipt of the copy of the documents and information corresponding to those required under Article 145, Paragraph 1, the Commission shall notify the relevant competent authorities whether it is satisfied with the change made in the information intended for the holders of the units of the receiving or the newly established collective investment scheme.

Section III

Control on the restructuring by the depositary and an registered auditor, providing information to unit-holders and other restructuring-related rights of unit-holders (Title amended, SG No. 109/2013, effective 20.12.2013, SG No. 95/2016)

Article 149. (Amended, SG No. 109/2013, effective 20.12.2013) The depositary of a collective investment scheme which participates in a restructuring shall check whether the information in the content of the restructuring plan under Article 145, Paragraph 2, items 1, 6 and 7 comply with the requirements of the law, the rules, the statute and the other constituent instruments of such collective investment scheme.

Article 150. (1) (Amended, SG No. 95/2016) The restructuring collective investment scheme for which the Republic of Bulgaria is the home Member State shall provide to the Commission, together with the documents under Article 145, Paragraph 1, a report prepared by an registered auditor under the Independent Financial Audit Act, stating the results of the audit of:

1. the adopted criteria for valuation of the assets and, where applicable, of the liabilities, as of the date of calculation of the replacement ratio set out in Article 154;

2. the redeemed cash amount per unit where such redemption is provided for;

3. the method for calculation of the replacement ratio and the actual ratio calculated on the date of replacement ratio calculation in accordance with Article 154.

(2) (Amended, SG No. 95/2016) A copy of the registered auditor's report shall be submitted free of charge upon request by the unit-holders of both the restructuring collective investment scheme and the other schemes participating in the restructuring and to the supervisory authorities.

(3) (Amended, SG No. 95/2016) For the purposes of the audit under Paragraph 1 an registered auditor may be the registered auditor that has certified the financial statements of the restructuring or the receiving collective scheme.

Article 151. (1) Collective investment schemes participating in restructuring, for which the Republic of Bulgaria is the home Member State, shall submit appropriate and accurate information to the unit-holders, allowing them to make informed judgement of the impact of the restructuring on their investments and to exercise their rights under Article 152, containing:

1. background and rationale of the proposed restructuring;

2. possible impact of the restructuring on the unit-holders, including but not limited to, material differences in regard to investment policy and strategy, costs, expected result, periodic reporting and possible deviations in the operating results, as well as, where applicable, express warning to the investors of a possible change in their tax treatment after the consolidation;

3. (amended, SG No. 95/2016) all specific rights of the unit-holders attaching to the proposed restructuring, including but not limited to, the right to receive additional information, the right to receive a copy of the registered auditor's report on request, the right to demand redemption or, where applicable, restructuring of the units held thereby in accordance with Article 152 and the deadline for exercise of such right;

4. procedural issues and the planned effective date of restructuring;

5. a copy of the document with the key investor information of the receiving, the newly established collective investment scheme respectively.

(2) The information under Paragraph 1 shall be provided to the unit-holders upon issued authorisation by the Commission for the restructuring in the cases under Article 141, Paragraphs 1 and 2, or upon issued authorisation by the relevant competent authority of another Member State in the cases under Article 148.

(3) The information under Paragraph 1 shall be provided not later than 30 days before the deadline for filing a request for redemption or, where applicable, for restructuring without additional fees under Article 152.

(4) Where a collective investment scheme participating in a restructuring and for which the Republic of Bulgaria is the home State Member, has filed a notification under Article 136, it shall furthermore provide the information under Paragraph 1 in the official language or in one of the official languages of the host Member State or in another language approved by its competent authorities. The translation of the information under Paragraph 1 in the language under sentence one shall reflect accurately and fully the content of the original and the collective investment scheme shall be responsible for its preparation.

(5) Additional requirements to the content, form and manner of presentation of the information under Paragraph 1 shall be set out in an ordinance.

Article 152. (1) The unit-holders in a collective investment scheme participating in a restructuring and for which the Republic of Bulgaria is the home State Member, may request redemption of their units or, where possible, restructuring of their units into units of another collective investment scheme with similar investment objectives and managed by the same management company or by another management company with whom the management company is connected by common management or

control or by material direct or indirect participation, without owing any other fees for that but the fees required to cover only the costs for early termination of investments, in order to release funds to meet the requests for redemption or restructuring of units.

(2) The right of unit-holders under Paragraph 1 may be exercised from the moment at which they are notified of the restructuring under the terms of Article 151, and shall expire 5 business days before the date of calculation of the replacement ratio under Article 154.

(3) The Commission may require from the collective investment scheme either to authorize, at its request, a temporary suspension of the sale, or redemption of the units in the cases where such suspension is in the interest of the unit-holders.

Article 153. Any legal, consultancy and administrative costs incurred in regard to the preparation and implementation of the restructuring shall not be at the expense of the collective investment schemes participating in the restructuring and their unit-holders.

Section IV

Taking force of the restructuring

Article 154. (1) In the event of a restructuring in which no collective investment schemes originating in other Member States participate, as well as in the event of a restructuring in which collective investment schemes originating in other Member States participate and where the receiving or the newly established collective investment company originates in the Republic of Bulgaria, the date on which the restructuring shall take force shall be the date of registration of the restructuring in the commercial register where the investment company originating in the Republic of Bulgaria participates in the restructuring, and respectively the date of registration in the register under Article 30, Paragraph 1 of the Financial Supervision Commission Act where all collective investment schemes originating in the Republic of Bulgaria and participating in the restructuring are common funds, or another effective date of the restructuring set out in the restructuring plan. The date of calculation of the replacement ratio may not be earlier than 5 business days before the effective date of the restructuring and the date of determination of the net asset value where the unit-holders are entitled to cash payment shall be the effective date of the restructuring.

(2) In the event of restructuring where the restructuring collective investment scheme originates in the Republic of Bulgaria and the receiving collective investment scheme originates in another Member State, the date of calculation of the replacement ratio and the date of determination of the net asset value in the cases where the unit-holders are entitled to cash payment shall be determined in accordance with the legislation of the home Member State of the receiving collective investment scheme.

(3) In the event of restructuring under Paragraph 1 entry into force of the restructuring shall be announced publicly by the receiving collective investment scheme in accordance with a procedure set out in an ordinance, and the Commission and the competent authorities of the home Member States of the other collective investment schemes participating in the restructuring shall be notified thereof.

(4) After the restructuring under Paragraph 1 has entered into force, it may not be declared null and void.

Article 155. (1) Restructuring of collective investment schemes through merger shall have the following effects:

1. all assets and liabilities of the restructuring collective investment scheme shall be transferred to the receiving collective investment scheme;

2. the unit-holders in the restructuring collective investment scheme shall become holders of units in the receiving collective investment scheme and in order to achieve equivalent replacement ratio cash payments may be made to them in the amount of up to 10 per cent of the net value of the assets of their units in the restructuring collective investment scheme;

3. the restructuring collective investment scheme shall cease to exist upon entry into force of the restructuring.

(2) Restructuring of collective investment schemes through consolidation shall have the following effects:

1. all assets and liabilities of the restructuring collective investment schemes shall be transferred to the newly established collective investment scheme;

2. the unit-holders in the restructuring collective investment schemes shall become holders of units in the newly established

collective investment scheme and in order to achieve equivalent replacement ratio cash payments may be made to them in the amount of up to 10 per cent of the net value of the assets of their units in the restructuring collective investment scheme;

3. the restructuring collective investment schemes shall cease to exist upon entry into force of the restructuring.

(3) Restructuring of collective investment schemes under Article 142, Paragraph 3 shall have the following effects:

1. the net assets of the restructuring collective investment scheme shall be transferred to the receiving collective investment scheme;

2. the unit-holders in the restructuring collective investment scheme shall become holders of units in the receiving collective investment scheme;

3. the restructuring collective investment scheme shall continue to exist until repayment of its obligations.

Article 156. (Amended, SG No. 109/2013, effective 20.12.2013) (1) (Previous text of Article 156, SG No. 102/2019) The management company of the receiving collective investment scheme shall immediately notify the depositary of the receiving collective investment scheme of the completion of the procedure for the transfer of assets, and liabilities, if the latter is provided for.

(2) (New, SG No. 102/2019) Within 7 days from the date on which the restructuring takes effect, the management company of the receiving or newly established collective investment scheme shall submit to the Commission the act of deregistration of the respective issues of units, the act of registration of the receiving or newly established collective investment scheme, issued by the central securities register, and a final auditor's report under Article 150.

(3) (New, SG No. 102/2019, amended, SG No. 64/2020, effective 21.08.2020) Based on the documents presented, within 14 days of receipt thereof, the Commission shall deregister as issuer the common funds dissolved as a result of the restructuring from the register kept by the Commission.

Section V
Winding-up of a collective investment scheme

Article 157. (1) Besides in accordance with the procedure of the Commerce Act, a collective investment undertaking may be wound up forcefully:

1. upon withdrawal of its licence;

2. where within three months from withdrawal of the licence, winding-up or declaring in bankruptcy of the management company the investment company has not appointed a new management company or has not restructured itself by consolidation or merger.

(2) Besides in accordance with the procedure set out in Article 363, letters "a" and "b" of the Contracts and Obligations Act, a common fund shall be wound up forcefully:

1. upon withdrawal of the authorisation for the common fund's organisation and management;

2. where within three months from withdrawal of the licence, winding-up or declaring in bankruptcy of the management company the common fund has not appointed a new management company or the fund is not restructured by consolidation or merger.

(3) After entry into force of the decision on withdrawal of the licence of the investment company, the Commission shall send it to the Registry Agency for registration in the commercial register and for appointment of a liquidator.

(4) (New, SG No. 27/2018) After the entry into force of the permission for dissolution of the common fund, the Commission shall send the said decision to the Registry Agency for striking from the BULSTAT Register.

(5) (Amended and supplemented, SG No. 95/2017, effective 1.01.2018, renumbered from Paragraph 4, SG No. 27/2018) The Deputy Chairperson may order checks to be carried out and the Commission or the Deputy Chairperson respectively may enforce coercive measures until deregistration of the investment company from the commercial register and until final settlement

of the relationships with the unit-holders.

(6) (New, SG No. 102/2019) The common fund shall be deregistered from the register under Article 30, Paragraph 1 of the Financial Supervision Commission Act after the completion of the winding-up and based on a notification by the liquidator of the fund, to which documents shall be attached, as set out in an ordinance.

(7) (Renumbered from Paragraph 5, SG No. 27/2018, renumbered from Paragraph (6), SG No. 102/2019) The terms and procedure for winding-up of an investment company and a common fund shall be set out in an ordinance.

TITLE FOUR

PROVIDING INFORMATION TO THE EUROPEAN COMMISSION AND THE EUROPEAN SECURITIES AND MARKETS AUTHORITY REGARDING THE ACTIVITIES OF MANAGEMENT COMPANIES IN THIRD COUNTRIES. CO-OPERATION WITH THE COMPETENT AUTHORITIES OF MEMBER STATES AND THE EUROPEAN SECURITIES AND MARKETS AUTHORITY
(Title amended, SG No. 21/2012)

Article 158. (1) The Commission shall notify the European Commission of any difficulties faced by management companies for which the Republic of Bulgaria is the home Member State, regarding their establishment or while providing services and carrying out activities in a third country.

(2) At the request of the European Commission, the Commission shall restrict or suspend for a period of three months the granting of authorisations for pursuit of business on the territory of the Republic of Bulgaria to management companies from a third country, as well as the proceedings relating to acquisition of direct or indirect stakes by a parent company which is regulated by the laws of such third country. By a decision of the Council of the European Union such time limit may be extended.

(3) Paragraph 2 shall not apply to a subsidiary of a management company which has been granted an authorisation for pursuit of business within the European Union, or a subsidiary of such a subsidiary.

(4) At the request of the European Commission, in the cases where a third country does not ensure a management company from a Member State to pursue business under market conditions equivalent to those provided for by the acquis of the European Union to management companies from that third country or where a third country does not provide a national treatment regime for the pursuit of business on its territory by management companies of a Member State the Commission shall notify such third country of any filed:

1. application for granting of a licence to a management company which is a direct or indirect subsidiary of a parent company regulated by the laws of that third country;

2. a notification from a parent company which is regulated by the laws of that third country and intends to acquire a stake in a management company for which the Republic of Bulgaria is the home Member State as a result whereof the management company becomes a subsidiary of the parent company.

(5) The notification under Paragraph 4 shall be suspended on reaching an agreement between the European Union and the third country on the third country's provision of conditions for pursuit of business of management companies within the European Union equivalent to the conditions provided for by the acquis of the European Union to the management companies from that third country for provision of national treatment regime or after expiry of the time limit under Paragraph 2.

(6) (New, SG No. 21/2012) The Commission shall notify ESMA and the European Commission of any difficulties in the offering of units of a collective investment scheme for which the Republic of Bulgaria is the home Member State on the territory of a third country.

Article 159. (1) The Commission shall co-operate with the competent authorities of the other Member States in the exercise of its supervisory powers under this Act and the instruments for its application and, where necessary, shall co-operate in the exercise of their powers.

(2) When providing co-operation under Paragraph 1, the Commission shall use the legally mandated powers to it and in the

cases where the action investigated by the competent authorities of the other Member States does not constitute a breach of the laws of the Republic of Bulgaria.

Article 160. The Commission shall immediately provide information to a competent authority of another Member State, where such information is necessary for the performance of its powers under Directive 2009/65/EC.

Article 161. (1) Where the Commission has good reasons to suspect that a person over whose activity it does not exercise supervision is being carrying out or has carried out acts contrary to the provisions of Directive 2009/65/EC on the territory of another Member State, it shall notify the competent authority of the that Member State thereof.

(2) Where the Commission is notified by a competent authority of a Member State that a person over whose activity that authority does not exercise supervision is being carrying out or has carried out on the territory of the Republic of Bulgaria acts contrary to the provisions of Directive 2009/65/EC, the Commission shall take the required actions and shall inform the competent authority of the Member State of the outcome thereof.

Article 162. (1) The Commission may request the co-operation of the relevant competent authority of another Member State in a supervisory activity, including on-the-spot verifications or investigations on the territory of that Member State.

(2) Where the Commission requests from the competent authority of another Member State on-the-spot verification or investigation on the territory of that Member State and the competent authority decides to carry out the verification or investigation itself, the Commission may request its experts to accompany the experts of the competent authority during the verification or investigation.

Article 163. (1) Where the Commission receives request from a competent authority of a Member State for carrying out an on-the-spot verification or investigation on the territory of the Republic of Bulgaria the Commission shall, within its powers:

1. carry out the verification or investigation itself;

2. allow the requesting authority of the other Member State to carry out the verification or investigation;

3. allow auditors or experts to carry out the verification or investigation.

(2) In the cases under Paragraph 1, item 1 at the request of the competent authority of the other Member State or during the conduct of the verification or investigation, the employees of the Commission shall be accompanied by employees of that competent authority. Irrespective of this, control over the verification and investigation conducted shall be exercised by the competent authorities of the Republic of Bulgaria.

(3) In the cases under Paragraph 1, item 2 the Commission may request during the conduct of the verification or investigation the employees of the competent authority of the other Member State to be accompanies by employees of the Commission.

Article 164. (1) The Commission may refuse to provide information under Article 160 or co-operation in carrying out the on-the-spot verification or investigation under Article 163, where:

1. carrying out of the on-the-spot verification or investigation and provision of information might adversely affect the sovereignty, security and public order of the Republic of Bulgaria;

2. judicial proceedings have already been initiated in the Republic of Bulgaria in respect of the actions and persons for which cooperation was requested;

3. final judgement is enforced in the Republic of Bulgaria in respect of the actions and persons for which cooperation was requested.

(2) In the cases of Paragraph 1 the Commission shall notify the authority that requested cooperation thereof and shall provide it with detailed information about the reasons for the refusal.

Article 165. The Commission may bring to the attention of the European Securities and Markets Authority the cases where its request for exchange of information under Article 166 - Article 169, carrying out an investigation or on-the-spot verification under Article 170 or a request for its employees to accompany the employees of the competent authority of another Member State when carrying out investigation or on-the-spot verification has been rejected or no actions have been taken upon within a reasonable time.

Article 166. (1) Where a management company with the Republic of Bulgaria as its home Member State through a branch or under the free provision of services carries out activity on the territory of one or more Member States, the Commission shall co-operate with the competent authorities of such Member States, including for the purpose of collecting from the competent authorities the information under Article 124, Paragraphs 2 and 3.

(2) Where a management company from another Member State carries out activity through a branch or under the free provision of services on the territory of the Republic of Bulgaria and on the territory of one or more Member States, the Commission shall co-operate with the competent authorities of such Member States.

(3) In the cases under Paragraphs 1 and 2, the Commission may require from the competent authorities of the Member States and shall provide them, at their request, with the whole information relating to the management and ownership structure of the management company, which may facilitate the exercise of its supervisory powers.

Article 167. Where a management company originating in another Member State carries out activity on the territory of the Republic of Bulgaria, the Commission shall notify the competent authorities of that Member State of the coercive administrative measures or administrative penalties imposed by it on the company under Article 124, paras 2 and 3.

Article 168. Where a management company originating in the Republic of Bulgaria manages a collective investment scheme originating in another Member State, the Commission shall immediately notify the competent authorities of that Member State of any violation of the provisions of this Act and the instruments for its application or of any other problems identified thereby in the activity of the management company and which might affect the ability of the company to discharge its obligations in the management of the scheme.

Article 169. Where the Republic of Bulgaria is the home Member State of a collective investment scheme managed by a management company originating in another Member State, the Commission shall immediately notify the competent authority of that Member State of the problems identified in the activity of the scheme and which might affect the ability of the management company to discharge its obligations.

Article 170. Where the Republic of Bulgaria is the host Member State of a management company carrying out activity on its territory through a branch, the Commission shall, after having been notified by the competent authority of that Member State, provide co-operation to that authority in the cases where the latter carries out itself or through intermediaries on-the-spot verification of the information set out in Article 166 - Article 169.

PART THREE
OTHER COLLECTIVE INVESTMENT UNDERTAKINGS

TITLE ONE
(Repealed, new, SG No. 109/2013, effective 20.12.2013)
SOVEREIGN WEALTH FUNDS

Chapter Fifteen
(Repealed, new, SG No. 109/2013, effective 20.12.2013)
GENERAL PROVISIONS

Article 171. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) Sovereign wealth funds shall be open-ended or closed-ended national investment companies having their seats in the Republic of Bulgaria, or national common funds investing in transferable securities or in other liquid financial assets, monetary funds raised by public offering on the risk distribution principle. Sovereign wealth funds are not collective investment schemes, and the requirements of Part Two are applicable to them only if this is explicitly provided for in this title.

(2) A sovereign wealth fund of the open type redeems its shares or units upon a request by the shareholders, unit-holders respectively, at a price based on the net asset value. The actions pursued in order to ensure that the stock exchange value of the shares or units does not significantly differ from the value of the net assets are deemed equivalent to such redemption.

(3) A sovereign wealth fund is of the closed type where it does not redeem its shares or units, with the exception of redemption of shares of investment companies under the conditions and according to the procedure set out in the Commerce Act.

(4) A national investment company may be established only at a incorporation meeting of a joint stock company with one-tier management system, the only subject of activity of which is investing in transferable securities and in other liquid financial assets, of monetary funds raised by public offering of shares. The investment company may not engage in any other trade activities, unless this is necessary for pursuing the activity under Paragraph 1.

(5) A national common fund shall be an entity of separate property with a view to collective investment in transferable securities and in other liquid financial assets, of monetary funds raised by public offering of units. A common fund is deemed established from the time of its registration in the register under Article 30, Paragraph 1, of the Financial Supervision Commission Act. Chapter XV "Company" of the Obligations and Contracts Act shall apply to common funds, with the exception of Article 359, Paragraphs 2 and 3, Article 360, Article 362, Article 363, letters (c) and (d) and Article 364, to the extent it is not otherwise provided for in this Act or in the common fund's Regulations.

(6) For the pursuit of the activities under Paragraphs 1 - 5, the issuance of a licence for pursuit of business as a national investment company or an authorisation for organization and management of a national common fund shall be required.

(7) A person not having the right to pursue the activities under Paragraphs 1 - 6 shall not have the right to use in its name, advertising or other activities the words denoting "sovereign wealth fund", "national investment company", "national common fund" or any other equivalent words and combinations of words in Bulgarian or in a foreign language denoting the pursuit of such activities.

(8) Sovereign wealth funds, respectively the companies managing their activities, shall be obliged to indicate in their prospectuses, and in all advertising and other materials distributed by them that they are not undertakings within the meaning of Directive 2009/65/EC, respectively that they are not collective investment schemes.

Article 172. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) A sovereign wealth fund shall be organised and managed by a management company, and where the provisions of Article 197, Paragraph 1, are in place - by a licensed entity managing alternative investment funds.

(2) In case of pursuit of activities of management of a national common fund the management company, respectively the alternative investment fund manager, shall act on its own behalf, stating that it acts for the account of the common fund.

(3) (Amended, SG No. 15/2018, effective 16.02.2018) A closed-ended national investment company may make a decision to not assign management to a person under Paragraph 1 and to be managed by the board of directors. In the cases under the first sentence, the company shall conclude an agreement with a person under Article 77, paragraph 2 of the Markets in Financial Instruments Act, who shall have the right to provide investment consultancy. Where the provisions of Article 197, Paragraph 1, are in place, the closed-ended national investment company shall file an application for issuance of a licence for pursuit of activities of management of alternative investment funds.

(4) Where the activities of a sovereign wealth fund are managed by an alternative investment fund manager, in addition to the requirements under this Title, the relevant requirements under Title Two shall also apply.

Article 173. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) In addition to the data required under the Commerce Act, the statute of an open-ended sovereign wealth fund shall also contain:

1. primary objectives and restrictions of investment activity, as well as the investment policy of the company;

2. the share of investments by type of assets;

3. the rules of determining of the remuneration of the board of directors members, of the management company under Article 172, Paragraph 1, respectively;

4. allocation of the rights and obligations between the board of directors and the management company under Article 172, Paragraph 1;

5. the term of the closed period, if any such is envisaged;

6. the conditions and procedure of calculation of the net asset value, the issue value and the price of the shares at redemption and of dividend, if any;

7. the conditions and procedure of issuance of shares, redemption of the shares and the conditions for suspension of

redemption and for dividend distribution, if any, or for reinvestment thereof;

8. the conditions for replacement of the depositary and the rules for securing the interests of the shareholders, in the event of such replacement;

9. the conditions for replacement of the management company under Article 172, Paragraph 1, and the rules for ensuring the interests of shareholders in the event of such replacement.

(2) In addition to the data required under the Commerce Act, the statute of a closed-ended sovereign wealth fund shall also contain the data under Paragraph 1, items 1 - 4, 8 and 9, as well as the procedure and manner of dividend distribution.

(3) The conditions for participation in a national common fund, its organisation, management and dissolution shall be laid down in the common fund rules.

(4) The rules of an open-ended national common fund shall contain:

1. the name of the common fund;

2. data about the person organising or managing the common fund;

3. the primary objectives and restrictions on investment activity, as well as the investment policy;

4. the conditions and procedure for calculation of the net asset value, the issue value and the price of the units at redemption;

5. methods for valuation of assets and liabilities;

6. the rights attaching to the units;

7. the fees collected by the management company under Article 172, Paragraph 1, for management, the fees collected by the management company for sale and redemption of units, other fees, if any, as well as the methods for their calculation;

8. the rules for determination of the remuneration of the depositary;

9. the conditions and procedure for issue and redemption of units and the conditions for suspension of redemption;

10. the conditions and procedure for allocation of income or reinvestment thereof;

11. the conditions for replacement of the depositary and the rules for securing the interests of unit-holders in the event of such replacement;

12. the conditions for replacement of the management company under Article 172, Paragraph 1, and the rules for ensuring the interests of unit-holders in the event of such replacement.

(5) The rules of a closed-ended national common fund shall contain the data under Paragraph 4, items 1 - 3, 6, 8, 10 - 12, as well as:

1. the conditions and procedure for calculation of the net value of the asset and the methods of valuation of assets and liabilities;

2. the fees collected by the management company under Article 172, Paragraph 1, for management, other fees, if any, as well as the methods for their calculation;

3. the procedure and manner of distribution of returns;

Article 174. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) The subscribed capital of a closed-ended national investment company shall not be less than BGN 250,000, and the company should at any time hold capital of the same amount, whose structure and ratio to balance sheet assets and liabilities shall be set forth in an ordinance.

(2) The subscribed capital of an open-ended national investment company shall not be less than BGN 100,000, and the company should at any time hold capital of at least the same amount. The capital of an open-ended national investment company shall always be equal to the net value of its assets. The capital with which the company was registered shall be registered in the Commercial Register. The provisions of Articles 192 - 203 and Article 246 of the Commerce Act shall not apply.

(3) The net asset value of a closed-ended national common fund may not be less than BGN 250,000. The fund's rules may provide for a higher amount of net asset value. The minimum amount under the first sentence shall have to be reached within one year of the fund's establishment, based on the initial or a subsequent prospectus.

(4) The net value of the assets of an open-ended national common fund may not be less than BGN 100,000, or another higher amount, as provided for in its rules. This minimum amount shall have to be reached within one year of the fund's establishment.

(5) Not less than 25 per cent of the capital under Paragraph 1, Paragraph 2 respectively, should be paid in upon filing of the application for obtaining a licence for pursuit of business as an investment company - within 14 days from receipt of the notification in writing from the Commission that it will issue the licence after payment of the full amount of the capital.

Article 175. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) A national investment company shall issue only dematerialised shares entitling to one vote. The company may not issue bonds and other debt securities.

(2) Except at the time of its establishment, the shares of an open-ended national investment company shall be acquired at their issue value, determined based on the net asset value. The provisions of Article 176, Paragraphs 2 and 3, and Articles 188 - 191 of the Commerce Act shall not apply.

(3) A national common fund shall be considered the issuer of the units it is divided into. The units shall give right to a proportionate share of the fund's property, including in case of liquidation of the fund, a right to redemption, and other rights, as provided for in this Act and the common fund's rules. The open-ended national common fund may also issue, based on its net asset value, partial units against a paid monetary contribution of a particular amount, if it is impossible to issue a whole number of units against the amount paid.

Article 176. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) The provisions of Article 10 shall apply to the persons elected as members of the Board of Directors of a national investment company, respectively the physical persons - members of the management body, as well as for all other persons who may conclude independently or jointly with another person transactions for the account of the investment company.

(2) Where the activities of a closed-ended national investment company are managed by its Board of Directors, Articles 93 and 94 shall apply respectively to the persons under Paragraph 1.

Chapter Sixteen

(Repealed, new, SG No. 109/2013, effective 20.12.2013)
GRANTING AND WITHDRAWAL OF LICENCE OF A NATIONAL INVESTMENT COMPANY AND OF AUTHORISATION FOR ORGANISATION AND MANAGEMENT OF A NATIONAL COMMON FUND

Article 177. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) An application for issuance of a licence for pursuit of activity as a national investment company shall be submitted to the Commission, according to a standard form approved by the Deputy Chairperson, to which the following shall be attached:

1. the statute;

2. data about the subscribed and paid-in capital;

3. data and other necessary documents for the members of the Board of Directors of the investment company, the natural persons representing legal entities that are members of the Board of Directors respectively, or about other persons authorised to manage and represent it, as well as data about their professional qualification and experience;

4. (amended, SG No. 15/2018, effective 16.02.2018) the contract with the management company, the alternative investment fund manager respectively, the contract with the persons under Article 77, paragraph 2 of the Markets in Financial Instruments Act, and the contract for depositary services;

5. the names or company names and data about the persons holding directly or indirectly 10 or more than 10 per cent of the voting shares of the applicant or which may exercise control over it, as well as about the number of votes held thereby; the persons shall submit written declarations for the source of funds used for payment of the contributions for the subscribed shares, including data whether the funds are borrowed, as well as about taxes paid thereby in the last 5 years according to a

standard form approved by the Deputy Chairperson;

6. the rules for portfolio valuation and determination of the net asset value;

7. the prospectus of the national investment company and the document with the key investor information of the open-ended national investment company;

8. the rules for risk management;

9. other documents and data, as set out in an ordinance.

(2) For issuance of an authorisation for a national common fund, the management company, the alternative investment fund manager respectively, shall file an application with the Commission, according to a standard form approved by the Deputy Chairperson, to which the following shall be attached:

1. the rules under Article 173, Paragraph 3;

2. the decision of the competent body of the management company or the alternative investment fund manager for the organisation of a common fund;

3. the rules for portfolio valuation and determination of the net asset value;

4. the contract for depositary services;

5. the prospectus of the national common fund and the document with the key investor information of the open-ended national common fund;

6. the rules for risk management;

7. other documents and data, as set out in an ordinance.

(3) Based on the documents submitted, the Commission shall check whether the requirements for granting a licence, respectively an authorisation, are complied with. If the submitted data and documents are incomplete or irregular or if additional information or proof of the veracity of data is necessary, the Commission shall send a notice and shall set a term for elimination of the established gaps in the data or irregularities or for submission of additional information and documents, which may not be less than one month and shall not exceed two months.

(4) If the notice under Paragraph 3 is not accepted at the correspondence address indicated by the applicant, the term for submission thereof shall run from the time of displaying of the notice at a specially designated place in the building of the Commission. This circumstance shall be certified by a protocol drawn up by officials designated by an order of the Chairperson of the Commission.

(5) The Commission shall issue a decision on the application within two months from receipt thereof, and where additional data and documents have been demanded, within two months from receipt thereof or expiry of the term under Paragraph 3, second sentence, respectively. The applicant shall be notified in writing about the decision made within a 7-day term.

(6) Simultaneously with the issue of the licence of the national investment company and the authorisation of the management company or the alternative investment fund manager respectively, for the organization and management of the national common fund, the Commission shall confirm the prospectus of the sovereign wealth fund and the document with key investor information of the open-ended sovereign wealth fund and shall register the sovereign wealth fund in the register kept by the Commission under Article 30, Paragraph 1, of the Financial Supervision Commission Act.

(7) The Registry Agency shall register the national investment company in the Commercial Register after the relevant licence issued by the Commission is presented to it.

(8) (New, SG No. 27/2018) The Registry Agency shall register a national common fund into the BULSTAT Register after it is presented with the respective authorisation for national common fund organisation and management, issued by the Commission.

Article 178. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) The Commission shall refuse to grant a licence for pursuit of business as a national investment company if:

1. the company's statute is not in conformity with law;

2. the subscribed capital does not meet the requirements of Article 174, Paragraphs 1 and 2;

3. (amended, SG No. 15/2018, effective 16.02.2018) the contract with the management company, the alternative investment fund manager respectively, does not comply with the requirements of this Act and the instruments for its application, or the contract with the person under Article 77, paragraph 2 of the Markets in Financial Instruments Act was not presented;

4. the members of the Board of Directors do not meet the requirements of Article 176;

5. the persons holding directly or indirectly 10 or more than 10 per cent of the votes in the general meeting of the national investment company could jeopardise the security of investments with their activity or with their influence on decision-making;

6. the persons holding directly or indirectly 10 or more than 10 per cent of the votes in the general meeting have paid contributions with borrowed funds;

7. the depositary or the contract with the depositary does not comply with the requirements of the Act or the instruments for its application;

8. the prospectus and/or the key investor information document does not comply with the requirements of this Act or the instruments for its application;

9. pursuant to law or its statute, the investment company may not market its shares on the territory of the Republic of Bulgaria;

10. the interests of the investors are not sufficiently protected;

11. (repealed, SG No. 102/2019).

(2) The Commission shall refuse to grant authorisation for organization and management of a national common fund if:

1. the applicant does not meet the requirements of the law;

2. the rules of the common fund do not meet the requirements of this Act and the instruments for its application;

3. the depositary or the contract with the depositary does not comply with the requirements of this Act or the instruments for its application;

4. the prospectus and/or the key investor information document do not comply with the requirements of this Act and the instruments for its application;

5. pursuant to law or its statute, the common fund may not market its units on the territory of the Republic of Bulgaria;

6. the interests of the investors are not sufficiently protected;

7. (repealed, SG No. 102/2019).

(3) In the cases under Paragraph 1, items 1 - 4, 7 and 8, or under Paragraph 2, items 2 - 4 respectively, the Commission may refuse to grant a licence or an authorisation respectively, only if the applicant has not removed the irregularities or has not submitted the required documents within the time limit set by the Commission, which may not be shorter than one month.

(4) The Commission shall provide written reasons for the refusal.

(5) The applicant may file a new application for issuance of a licence, respectively authorisation, not earlier than 6 months from the effectiveness of the decision on refusal.

Article 179. (Repealed, new, SG No. 109/2013, effective 20.12.2013, supplemented, SG No. 95/2017, effective 1.01.2018, amended, SG No. 16/2022) Any change in the rules, respectively in the statute of a sovereign wealth fund, any change of the depositary and any change of the management company, the alternative investment fund manager respectively, any replacement of the investment consultant by a management company or an alternative investment fund manager, and vice versa, any change in the risk management rules, the rules for portfolio valuation and for determination of the net asset value, and any change in the contract for depositary services shall be allowed after approval by the Deputy Chairperson. Article 18, Paragraphs 2 – 7 shall apply accordingly.

Article 180. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 102/2019) The Commission may withdraw the issued licence if the national investment company:

1. does not start pursuing the respective activity within 12 months from the issue thereof, expressly renounces the licence issued, or has not performed any activity for more than 12 months;

2. for a period of 6 consecutive months the average monthly net asset value is less than the one required under Article 174, Paragraphs 1 or 2;

3. has submitted false data which have served as a ground for issuing of the licence;

4. no longer fulfils the conditions under which the licence was granted;

5. does not meet the liquidity requirements set out in an ordinance;

6. (amended and supplemented, SG No. 102/2019) grossly or systematically violates the provisions of this Act, the Measures Against Money Laundering Act or the instruments for their application.

(2) (Amended, SG No. 102/2019) The Commission may withdraw the issued authorisation for organisation and management of a national common fund:

1. if within a period of one year from obtaining the authorisation the net asset value in the balance sheet of the common fund has not reached the one required under Article 174;

2. in the cases under Paragraph 1, items 1 - 5;

3. if this is necessary to protect the interests of the investors.

(3) After the effectiveness of the decision for withdrawal of a licence to pursue the business of a closed-ended national investment company, the latter may continue to exist as a joint stock company under the Commerce Act. The commission shall send the decision to the Registry Agency for the purpose of deleting the business as an investment company from its subject of activity.

(4) (New, SG No. 27/2018) After the effectiveness of the decision for withdrawal of the authorisation for national common fund organisation and management as issued, the Commission shall send the said decision to the Registry Agency for striking of the national common fund from the BULSTAT Register.

Article 181. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) The national investment company may not be transformed into any other type of company, nor can it change its subject of activities. Transformation of a national investment company from a closed-ended into an open-ended one, and vice versa, shall be done only if the possibility of such transformation and the procedure for compensation of shareholders who did not accept such a transformation have been provided for in the investment company's statute. A common fund may be transformed only by means of a merger, takeover, split or spinoff, whereas the common funds shall take article in the transformation without any change in their subject of activities.

(2) (Amended, SG No. 15/2018, effective 16.02.2018) The transformation by a merger, takeover, split or spinoff, as well as winding-up of a sovereign wealth fund shall be done with the permission of the Commission. Article 144 shall apply accordingly. The persons designated as liquidators or trustees in bankruptcy of the investment company, respectively as liquidators of a common fund, shall be approved by the Commission. Article 32 of the Markets in Financial Instruments Act shall apply accordingly.

(3) The transformation and winding-up shall be done under the conditions and according to a procedure set out in an ordinance.

Chapter Seventeen

(Repealed, new, SG No. 109/2013, effective 20.12.2013)
PUBLIC OFFERING, REDEMPTION AND ADMISSION TO TRADING

Article 182. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) Public offering of shares or units of a sovereign

wealth fund shall be allowed after issuance of a license of a national investment company, respectively authorisation for organisation and management of the sovereign wealth fund, and if a prospectus is published.

(2) (Supplemented, SG No. 64/2020, effective 21.08.2020) The prospectus of a closed-end national investment fund shall be prepared and published in accordance with Chapter Six of the Public Offering of Securities Act and Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJ L 168 of 30 June 2017), hereinafter referred to as "Regulation (EU) 2017/1129".

(3) (Amended, SG No. 15/2018, effective 16.02.2018, SG No. 51/2022, effective 1.01.2023) The prospectus of an open-ended sovereign wealth fund shall be drawn up and published in a manner and with content as provided for in an ordinance. Attached to the prospectus there shall be key investor information, which shall be an integral part thereof. Articles 56, 57, 58, 58a and 63 shall apply accordingly.

(4) (Amended, SG No. 16/2022) The marketing announcements in relation to the marketed shares or units of a sovereign wealth fund shall be drawn up applying Article 65, Paragraph 1.

(5) (Supplemented, SG No. 64/2020, effective 21.08.2020) The units or shares of an open-ended sovereign wealth fund shall be marketed only in the territory of the Republic of Bulgaria. The units or shares of a close-ended sovereign wealth fund shall be offered in the territory of other Member States in compliance with the requirements set forth under Chapter Six of the Public Offering of Securities Act and Regulation (EU) 2017/1129.

Article 183. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) A closed-ended sovereign wealth fund shall be obliged to permanently offer its shares or units to investors at their issue value based on the net asset value, and at the request of its shareholders shall redeem them at a price based on the net asset value, in accordance with the conditions and procedure set out in this Act, in the instruments for its application and in the statute of the company, except for the case referred to in Paragraph 3. The issue value and redemption price shall be determined at least twice a month at equal intervals. Article 21, Paragraphs 2 - 7 shall apply accordingly.

(2) An open-ended sovereign wealth fund may provide for in its statute, respectively it may be provided for in the rules of a national common fund, to have a closed period, which may not be longer than three years from its establishment. During the closed period, the sovereign wealth fund shall not be obliged to redeem its shares or units.

(3) (Amended, SG No. 102/2019) Article 22 shall apply to an open-ended sovereign wealth fund mutatis mutandis.

Article 184. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) A closed-ended sovereign wealth fund shall file an application for admittance of its shares or units to trading at a regulated market within a 6-month term from registration in the register under Article 30, Paragraph 1 of the Financial Supervision Commission Act.

(2) If the shares or units of a closed-ended sovereign wealth fund are not admitted to trading at a regulated market within one year from the registration in the Commercial Register, the fund shall be wound up under the conditions and according to a procedure set out in an ordinance.

(3) Admittance to trading of the shares or units of an open-ended sovereign wealth fund may be done respectively by applying Chapter Three "a".

Chapter Eighteen

(Repealed, new, SG No. 109/2013, effective 20.12.2013) REQUIREMENTS TO THE ACTIVITY

Article 185. (Repealed, new, SG No. 109/2013, effective 20.12.2013, supplemented, SG No. 102/2019) For safe-keeping of dematerialised financial instruments and other assets held by a sovereign wealth fund, the provisions of Articles 25 and Article 34 - 37 shall apply accordingly.

Article 186. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) Sovereign wealth funds may invest in the following assets:

1. financial instruments without any restrictions as to their type;

2. precious metals certificates;

3. (amended, SG No. 95/2017, effective 1.01.2018) deposits with banks, payable at demand or in respect whereof the right for withdrawal at any time exists, provided the bank is having its seat in the Republic of Bulgaria or in another Member State, and if it is having its seat in a third country – provided it is subject to prudent rules, which upon decision of the commission by proposal of the Deputy Chairperson are defined as equivalent to those set out in the Community law.

(2) (Amended, SG No. 95/2017, effective 1.01.2018) Sovereign wealth funds may invest without any restriction their assets in issues of financial instruments issued or guaranteed by the Republic of Bulgaria and other Member States, as well as those issued or guaranteed by third countries included in a list approved by the commission by proposal of the Deputy Chairperson.

Article 187. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) Sovereign wealth funds shall comply with the following restrictions in investing, determined as a percentage of assets:

1. financial instruments admitted to or traded in a regulated market, issued by single issuer:

a) up to 15 per cent of the assets of an open-ended sovereign wealth fund;

b) up to 20 per cent of the assets of a closed-ended sovereign wealth fund;

2. (supplemented, SG No. 16/2022) financial instruments which are offered publicly or for which there is an obligation to request admission and within a period not exceeding one year from their issuance to be admitted to or traded on a regulated market or any other organised market that is operating on a regular basis, is recognised and publicly available, issued by one issuer - up to 15 per cent of the assets of an open-ended sovereign wealth fund, respectively up to 25 per cent of the assets of a closed-end sovereign wealth fund;

3. financial instruments which are not offered publicly and for which there is no obligation to be admitted to trading in a regulated market or another organised market operating regularly, recognised and publicly accessible, issued by a single issuer - up to 15 per cent of the assets of the sovereign wealth fund whereas the total amount of investments in such financial instruments may be up to 25 per cent of the assets of an open-ended sovereign wealth fund, respectively 50 per cent of the assets of a closed-ended sovereign wealth fund;

4. shares and units of collective investment undertakings, which are not publicly offered - up to 15 per cent of the assets of an open-ended sovereign wealth fund, respectively 30 per cent of the assets of a closed-ended sovereign wealth fund;

5. precious metal certificates - in total up to 10 per cent of the assets of an open-ended sovereign wealth fund, respectively up to 15 per cent of the assets of a closed-ended sovereign wealth fund;

(2) Sovereign wealth funds may exceed the restrictions to the investment in a single issuer under Paragraph 1, item 1, if they comply with the following restrictions:

1. up to 30 per cent of the assets of an open-ended sovereign wealth fund, provided the total value of the investments in issuers, in which the fund has invested more than 15 per cent of its assets each, does not exceed 50 per cent of the fund's assets;

2. up to 40 per cent of the assets of a closed-ended sovereign wealth fund, provided the total value of the investments in issuers, in which the fund has invested more than 20 per cent of its assets each, does not exceed 60 per cent of the fund's assets;

(3) Sovereign wealth funds may not acquire more than:

1. fifteen per cent of the non-voting shares issued by a single entity;

2. fifteen per cent of the bonds or other debt securities issued by a single entity;

3. thirty per cent of the units of a single collective investment scheme, which has authorisation for pursuit of business under Directive 2009/65/EC, and/or another collective investment scheme irrespective if it is having its seat in a Member State or not, provided the prospectus of such a collective investment scheme stipulates that it should not invest more than 10 per cent of its assets in units of other collective investment schemes, irrespective if they have been authorised to pursue a business under Directive 2009/65/EC or not;

4. fifteen per cent of the money market instruments issued by a single entity.

(4) Sovereign wealth funds may invest their assets in bank deposits in such proportions as are stipulated in their statutes, their rules respectively.

(5) In the cases where the management company, the alternative investment fund manager respectively, provides a capital guarantee or a guarantee for the income of unit-holders of a sovereign wealth fund, it may invest without any restriction its assets in bank deposits, including deposits with a single bank.

(6) In case of violation of investment restrictions for a sovereign wealth fund, Articles 51 and 52 shall apply accordingly.

(7) (New, SG No. 16/2022) While complying with the principle of risk spreading, sovereign wealth funds that have been recently authorised to pursue activity may derogate from the restrictions set out in Paragraphs 1 - 3 for a period of up to 6 months from obtaining the authorisation.

Article 188. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) A sovereign wealth fund, may not use loans, except in the cases under Paragraphs 2 and 3.

(2) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson may permit an open-ended sovereign wealth fund to use a loan amounting up to 20 per cent of its assets, provided the loan is extended with a maturity not longer than 12 months, and if it is needed to cover the fund's obligations for redemption of its units. Article 18, Paragraphs 2 - 6 shall apply accordingly.

(3) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson may permit a closed-ended sovereign wealth fund, to use a loan amounting up to 30 per cent of its assets, provided the loan is extended with a maturity not longer than 12 months, and if it is needed to acquire assets. Article 18, Paragraphs 2 - 6 shall apply accordingly.

(4) Additional requirements and conditions may be provided for in an ordinance.

Article 189. (Repealed, new, SG No. 109/2013, effective 20.12.2013) When a national investment company, an alternative investment fund manager respectively, manages a sovereign wealth fund, it shall adopt risk management rules with a view to on-going monitoring and measurement at any time of the risk of each exposure and its impact on the risk profile of the whole portfolio. As regards the risk management rules of sovereign wealth funds and the requirements for regular notification of the Commission, Articles 40 and 41 shall apply.

Article 190. (Repealed, new, SG No. 109/2013, effective 20.12.2013, supplemented, SG No. 22/2015, effective 24.03.2015, amended, SG No. 76/2016, effective 30.09.2016) When a sovereign wealth fund, national investment company, alternative investment fund manager respectively, manages a national common fund, it shall adopt rules governing personal transactions of members of the managing and controlling bodies of the company, its employees and all other persons, working under contract for the company and any persons related to them, which shall ensure that no personal transactions shall be concluded or investments maintained by these persons, which allow them severally or jointly to exercise significant influence on an issuer, or which could result in a conflict of interests, or which are the result of misuse of information, which they have acquired in the process of their professional activities within the meaning of the Implementation of the Measures against Market Abuse with Financial Instruments Act.

Article 191. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) (Supplemented, SG No. 102/2019) A closed-ended sovereign wealth fund shall disclose information according to the procedure under Chapter Six "a" of the Public Offering of Securities Act. The annual financial statements shall be prepared in accordance with the requirements of the International Financial Reporting Standards.

(2) A closed-ended sovereign wealth fund shall be obliged to submit to the Commission and to the general public:

1. (*) (supplemented, SG No. 102/2019) audited annual financial statements prepared in accordance with the requirements of the International Financial Reporting Standards within 90 days of closing of the financial year;

(*) *Editor's Note.* According to § 47, Item 1 to the Act on the Measures and Actions during the State of Emergency Declared

by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020: the time limits referred to in Item 60 of Article 2020 (1), Article 1 (92) and Item 2 of Article 1 (191) of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be extended until the 31st day of July 31."

---

2. (*) semi-annual financial statements covering the first 6 months of the financial year, within 30 days from the end of the reporting period;

(*) *Editor's Note.* According to § 47, Item 2 to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020: the time limits referred to in Item 1 of Article 2020 (60), Article 2 (92) and Item 191 of Article 2 (2) of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be extended until the 30th day of September 30."

---

3. other information set out in an ordinance.

Article 192. (Repealed, new, SG No. 109/2013, effective 20.12.2013, amended, SG No. 16/2022) Other requirements to the activity, the structure of assets and liabilities of the sovereign wealth funds aimed at protecting the interests of investors, to the annual and interim financial reports for the activity and their dissemination, the keeping and maintaining of accounting records, the method and procedure for valuation of the assets and liabilities, the disclosure of information, the content of marketing communications, the rules for personal transactions, the rules for preventing conflicts of interest, the rules for risk management, the rules for portfolio evaluation, the content of the contracts with the management company or with the alternative investment fund manager and with the depositary, as well as requirements related to the calculation and disclosure of fees for results achieved in the management of sovereign wealth funds shall be set out in an ordinance.

Article 193. (Repealed, new, SG No. 109/2013, effective 20.12.2013) (1) For any cases not provided for in relation to a closed-ended sovereign wealth fund, the provisions of Chapters Eight and Eleven of the Public Offering of Securities Act shall apply.

(2) For sovereign wealth funds managed by an alternative investment fund manager, the requirements to alternative investment funds, as provided for in Title Two of this part shall apply, when they are more stringent than the requirements under this title.

TITLE TWO

(New, SG No. 109/2013, effective 20.12.2013)
MANAGEMENT OF ALTERNATIVE INVESTMENT FUNDS

Chapter Nineteen
(New, SG No. 109/2013, effective 20.12.2013)
GENERAL PROVISIONS

Article 194. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund shall be a collective investment undertaking, including its investment sub-funds, other than a collective investment scheme, which invests funds raised from more than one person in accordance with a specific investment policy and in favour of these persons, whereas the raised funds are invested and the return is realised under the principle of distribution of risk and return among the investors only based on the share of the investments made by them, without establishing investment portfolios of individual investors.

(2) For the purposes of Paragraph 1, it is assumed that the funds are raised from more than one person, if:

1. the collective investment undertaking is not limited by the national legislation, its instruments of incorporation and other regulatively or contractually established requirements to raise funds from more than one person, regardless if actually there is more than one investor.

2. the collective investment undertaking is limited by the national legislation, its instruments of incorporation and other regulatively or contractually established requirements to raise funds from more than one person, provided its only investor invests funds raised from more than one person with the purpose of investing them in favour of these persons.

(3) For the purposes of Paragraph 1, it is accepted that the collective investment undertaking has a specific investment policy, if at least one of the conditions below is met:

1. the investment policy is determined not later than at the time when the investment in the collective investment undertaking is not subject to withdrawal, this however not including any subsequent redemption or other way of disposing of the investment made;

2. the investment policy is determined in the instruments of incorporation of the collective investment undertaking, or in another document referred to in any of its instruments of incorporation;

3. the collective investment undertaking has the obligation to comply with the investment policy and this obligation is subject to enforced implementation by the investors;

4. the investment policy sets out rules of investment containing one or more of the following criteria:

a) investment is limited to specific categories of assets and/or specific categories of assets are excluded from the permitted investments;

b) investment is compliant with specific strategies;

c) investment is limited to specific geographic regions;

d) investment is compliant with specific limits for leverage;

e) investment is done subject to specific period of holding of the investments, or

f) investment is subject to other limitations with a view to distribution of risk.

(4) (New, SG No. 102/2019) An alternative investment fund may use in its name the designation "money market fund" or "MMF" or any other designation in Bulgarian or foreign language suggesting that it is a money market fund, provided that it meets the requirements of Regulation (EU) 2017/1131.

(5) (Renumbered from Paragraph (4), SG No. 102/2019) If a collective investment undertaking is to be defined as an alternative investment fund, it is irrelevant if:

1. it is of an open-ended or close-ended type;

2. if it is organised as a common fund, trust, investment company or any other legal form;

3. if it is registered, licensed or having its seat in a Member State or in a third country;

4. if pursuing its business is subject to a registration or licensing regime;

5. the legal form of organisation of the person managing it.

(6) (Renumbered from Paragraph 5, SG No. 102/2019) Sovereign wealth funds under Title One shall be alternative investment funds.

Article 195. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund manager may be a legal entity, whose core subject of activity is management of one or more alternative investment funds.

(2) A person managing an alternative investment fund may be:

1. a person other than the managed alternative investment fund, determined by the alternative investment fund or by a person

acting on its behalf;

2. the alternative investment fund where the legal organisation form of organisation allows for this and its management body has not determined an external person under Paragraph 1;

(3) For the pursuit of the business under Paragraph 1 by a person having its seat in the Republic of Bulgaria, it should be issued a licence for pursuit of the business of management of alternative investment funds, or registration under the provisions of Chapter Twelve.

(4) For the pursuit of the business under Paragraph 1 by a person having its seat in a third country for which the Republic of Bulgaria is a Member State of reference, as well as for marketing by such a person of the alternative investment funds managed thereby in the territory of Member States, it should be issued a licence under the provisions of Chapter Twelve, Section III.

Article 196. (New, SG No. 109/2013, effective 20.12.2013) This title shall not be applicable to:

1. holding companies;

2. institutions for occupational retirement provision established under Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision, hereinafter referred to as Directive 2003/41/EC, as well as the structures managing them and the persons managing the investments, provided they do not manage alternative investment funds.

3. The European Central Bank, European Investment Bank, European Investment Fund, European development financial institutions and the bilateral development banks, the World Bank, the International Monetary Fund and other supra-national institutions and international organisations which manage alternative investment funds, pursuing activities of public interest;

4. national central banks;

5. central, regional and local authorities of the executive and the authorities or other institutions which manage funds financing the social security and pension systems;

6. employee participation schemes or employee savings schemes;

7. (amended, SG No. 21/2021, SG No. 51/2022) special-purpose investment companies and securitisation companies under the Special Purpose Investment Companies and Securitisation Companies Act;

8. the persons managing alternative investment funds, in which they, and their parent companies, subsidiary companies or other (sister) subsidiaries of their parent companies are the only investors, provided none of these investors is an alternative investment fund.

Chapter Twenty

(New, SG No. 109/2013, effective 20.12.2013)
REQUIREMENTS FOR PURSUIT OF BUSINESS AS AN ALTERNATIVE INVESTMENT FUND MANAGER

Section I
(New, SG No. 109/2013, effective 20.12.2013)
General Provisions

Article 197. (New, SG No. 109/2013, effective 20.12.2013) (1) A person having its seat in the Republic of Bulgaria which manages directly or indirectly alternative investment funds should hold a licence for pursuit of the business of management of alternative investment funds issued under the conditions of Section II, if it manages directly or indirectly alternative investment funds, the value of whose assets, as determined under Commission Delegated Regulation (EU) No. 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (OJ L 83/1 of 22 March 2013) hereinafter referred to as "Delegated Regulation (EU) 231/2013" in the aggregate exceeds:

1. the lev equivalent of EUR 100,000,000, including assets acquired using leverage;

2. the lev equivalent of EUR 500,000,000, where portfolios consist of alternative investment funds not making use of leverage, and for which the right of redemption may not be exercised for a period of 5 years from the date of initial investment in each of these alternative investment funds;

(2) Indirect management within the meaning of Paragraph 1 shall be management through a company, with which the alternative investment fund manager is related by common management, controlled by the alternative investment fund manager, or through a company in which this person holds significant direct or indirect stake.

(3) A person from a third country, which manages alternative investment funds and/or markets in the territory of the European Union alternative investment funds managed thereby, and for which the Republic of Bulgaria is a reference country, should hold a licence issued under the conditions of Section III.

(4) A person who manages directly or indirectly pursuant to Paragraph 2 alternative investment funds the assets of which do not exceed the thresholds set out under Paragraph 1 should be registered under the conditions of Section IV.

(5) A person under Paragraph 1 may only be a joint stock company with dematerialised shares, each granting right to one vote. The management of the person under the first sentence shall be done at the place of its seat.

(6) A person which holds no licence for management of alternative investment funds and is not registered as such a person, may not use in its name, advertising or other activities the words in Bulgarian or in a foreign language, denoting performing of activities of investment fund management.

(7) (Amended, SG No. 25/2022, effective 29.03.2022) Investment intermediaries licensed under Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, hereinafter referred to as "Directive 2004/39/EC" and credit institutions licensed under Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ, L 176/338 of 27 June 2013), hereinafter referred to as "Directive 2013/36/EU" may provide investment services to alternative investment funds on the grounds of the licences issued to them. The persons under the first sentence may market and units of alternative investment funds provided the requirements under this title have been met. The persons under the first sentence may market and units of alternative investment funds provided the requirements under this title have been met.

(8) (New, SG No. 42/2016) The persons managing venture capital funds or social entrepreneurship funds and wishing to use the designation EuVECA or EuSEF respectively for alternative investment schemes managed thereby, shall pursue their business in compliance with the requirements of this Act and Regulation (EU) No. 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (OJ, L 115/1 of 25 April 2013), hereinafter referred to as "Regulation (EU) No. 345/2013" and Regulation (EU) No. 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ, L 115/18 of 25 April 2013), hereinafter referred to as "Regulation (EU) No. 346/2013".

(9) (New, SG No. 42/2016, amended, SG No. 102/2019) The persons under Paragraph 8 shall comply with the procedures for registration by the Commission pursuant to Articles 14 and 14a of Regulation (EU) No. 345/2013, and Articles 15 and 15a of Regulation (EU) No. 346/2013.

(10) (New, SG No. 42/2016) The persons managing long-term investment funds shall pursue their business in compliance with the requirements of this Act and Regulation (EU) No. 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds (OJ, L 123/98 of 19 May 2015), hereinafter referred to as "Regulation (EU) No. 2015/760".

(11) (New, SG No. 102/2019) The persons managing alternative investment funds using in their name the designation "money market fund" or "MMF" or any other designation in Bulgarian or foreign language suggesting that they are money market funds, shall carry out their operations in compliance with the requirements of this Act and Regulation (EU) 2017/1131.

(12) (New, SG No. 42/2016, renumbered from Paragraph (11), SG No. 102/2019) The persons under Paragraph 10 shall be granted authorizations for pursuit of business by the Commission in compliance with the requirements of Articles 5 and 6 of Regulation (EU) No. 2015/760.

(13) (New, SG No. 42/2016, renumbered from Paragraph (12), SG No. 102/2019) Registration of the persons under

Paragraphs 8 and 10 in the register under Article 30, Paragraph 1 of the Financial Supervision Commission Act shall be carried out according to a procedure set out in an ordinance.

(14) (New, SG No. 27/2018, renumbered from Paragraph (13), SG No. 102/2019) Any person with a seat in the Republic of Bulgaria, which directly or indirectly manages alternative investment funds or another undertaking for collective investments, including venture capital funds, social entrepreneurship fund or long-term investment funds, holding a licence for the pursuit of the business of management of alternative investment funds issued under the terms established by Section II of Chapter Twenty or, respectively, registered under the terms established by Section IV of Chapter Twenty, shall register each fund managed into the BULSTAT Register.

Article 198. (New, SG No. 109/2013, effective 20.12.2013) (1) The licence under Article 197, Paragraph 1, shall include the right to perform the following activities of alternative investment fund management.

1. portfolio management;

2. risk management.

(2) The licence under Paragraph 1 may include the following additional functions in the cases of collective management of alternative investment funds.

1. administrative functions, legal and accounting services in relation to the funds management, responses to investors' requests for information, portfolio measurement and determining the value of units or shares of managed funds, control over compliance with regulatory requirements, keeping of the register of holders of units or shares in the cases of management of alternative investment funds originating from another country, dividend distribution and other payments, issue and redemption of units or shares, performance on contracts, keeping of accounting;

2. marketing services in relation to units or shares of the managed alternative investment funds;

3. activites in relation with the assets of the managed alternative investment funds according to the assigned management: management of infrastructure, real estate management, consultancy on capital structure, industrial strategy and issues related thereto, consultancy and services in relation to mergers and purchase of enterprises, as well as other services in relation to the management of the alternative investment funds and companies and other assets in which the managed funds invest.

(3) An alternative investment fund under Article 195, Paragraph 2, item 2, may not pursue any business other than the one it has been licensed for under Paragraphs 1 and 2.

(4) An alternative investment fund manager pursuant to Article 195, Paragraph 2, item 1, may perform activities of management of the business of collective investment schemes based on a licence for pursuit of the business as a management company under Title Two.

(5) The licence under Paragraph 1 of a person having its seat in the Republic of Bulgaria which manages alternative investment funds under Article 195, Paragraph 2, item 1, may also include providing one or more additional services:

1. management in accordance with a contract concluded with a customer of a portfolio, including financial instruments at its own discretion;

2. investment consultations regarding financial instruments;

3. safe-keeping and administration of shares and units of collective investment undertakings;

4. accepting and forwarding instructions in relation to one or more financial instrument.

(6) An alternative investment fund manager under Article 195, Paragraph 2, item 1, may not pursue any business other than the one it has been licensed for under Paragraphs 1, 2, 4 and 5.

(7) No licence may be issued covering only one of the services under Paragraph 1, nor a licence only for services under Paragraph 2 and/or Paragraph 5, if it does not include the services under Paragraph 1. A licence covering the services under Paragraph 5 may not be issued only for one or more of the services under items 2 - 4 if it does not include the services under Paragraph 1.

(8) The licence issued shall take effect for all Member States.

Article 199. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund under Article 195, Paragraph 2, item 2, shall have at its disposal initial capital not less than the lev equivalent of EUR 300,000.

(2) (Supplemented, SG No. 34/2015, SG No. 25/2022, effective 29.03.2022) An alternative investment fund manager under Article 195, Paragraph 2, item 1, shall have at its disposal initial capital not less than the lev equivalent of EUR 125,000. The initial capital under the first sentence shall be in accordance with Article 9, Paragraph 1, item "i", first proposal of Regulation (EU) No. 2019/2033, and shall consist of one or more of the elements referred to in Article 26, Paragraph 1, letters (a) — (e) of Regulation (EU) No. 575/2013.

(3) If the alternative investment fund manager manages the activities of alternative investment funds whose assets exceed in the aggregate the lev equivalent of EUR 250,000,000 then the person shall have to increase the amount of its own funds by not less than 0.02 per cent of the amount of the difference between the value of the assets on the balance sheet of the managed funds and the lev equivalent of EUR 250,000,000. The requirement under the first sentence is not mandatory to comply with for up to 50 per cent of additional own funds, provided the person makes use of a guarantee for the same amount, issued by a credit institution or an insurer having its seat in a Member State or in a third country in which the applicable rules are equivalent to the ones under the Community law. The requirement under the first sentence shall apply until the own funds reach the lev equivalent of EUR 10,000,000.

(4) The assets, which the alternative investment fund manager manages by delegation, shall not be included in the calculation of the total value of the assets of the alternative investment funds managed under Paragraph 3.

(5) Not less than 25 per cent of the capital under Paragraph 1 shall have to be available at the time of filing of the application for a licence for pursuit of the business of an alternative investment fund manager, and the remaining portion - within 14-day term from receipt of a notification in writing from the Commission that it would issue a licence after proving the full amount of capital.

(6) (Supplemented, SG No. 34/2015, amended, SG No. 25/2022, effective 29.03.2022) An alternative investment fund manager shall be obliged at any time to maintain own funds exceeding or equal to the value under Paragraphs 1, 2 or 3. Own funds under the first sentence shall be the funds within the meaning of Article 9, paragraph 1, item "i" of Regulation (EU) 2019/2033.

(7) (Amended, SG No. 95/2017, effective 1.01.2018, SG No. 25/2022, effective 29.03.2022) Irrespective of the requirement under Paragraph 6, the own funds of an alternative investment fund manager shall at any time amount to not less than the amount set out in Article 13 of Regulation (EU) 2019/2033.

(8) The requirements under Paragraphs 1 - 7 shall not apply to managers managing alternative investment funds and at the same time holding a licence for pursuing the business of managing companies.

(9) Irrespective of the requirements under Paragraphs 1 - 8, alternative investment fund managers, including those of alternative investment funds the management of which is not assigned to a person other than them, shall also meet one of the following requirements, while implementing accordingly Delegated Regulation (EO) No. 231/2013:

1. to have available additional own funds in an amount sufficient to cover potential risks arising from liability due to professional negligence;

2. hold a professional indemnity insurance against liability arising from professional negligence which is appropriate to the risks covered.

(10) Own funds of the alternative investment fund manager up to the amount required for meeting the requirements under Paragraphs 1 - 9 may be invested only in liquid assets, the additional requirements to which shall be determined in an ordinance. Investing of the own funds under the first sentence may not be done with the purpose of speculation.

(11) An alternative investment fund manager shall be obliged to meet the capital requirements and to maintain a minimum of liquid funds, as determined in an ordinance.

(12) (Amended, SG No. 95/2017, effective 1.01.2018) In case of breach of the capital adequacy and liquidity requirements, an alternative investment fund manager shall be obliged to notify the Commission within 7 days from the violation, indicating the reasons for the violation and shall propose specific measures, as a result of which the violation shall be eliminated within one month from its perpetration.

Article 200. (New, SG No. 109/2013, effective 20.12.2013) An alternative investment fund manager shall be managed by at least two persons. For managing and controlling body members, for representatives of legal entities - members of such bodies, and for all other persons, which may conclude, independently or jointly with other persons, transactions for the account of an alternative investment fund manager, the provisions of Article 93 and Article 94 shall apply.

Section II

(New, SG No. 109/2013, effective 20.12.2013)
Granting and Withdrawal of a Licence for Pursuit of business of alternative investment fund management to persons having their seat in the Republic of Bulgaria

Article 201. (New, SG No. 109/2013, effective 20.12.2013) (1) A licence for pursuit of business of alternative investment fund management shall be granted by the Commission.

(2) For granting of a licence under Paragraph 1, an application shall be filed, to which the following shall be attached:

1. data and documents in relation to the applicant:

a) the statute and the other instruments of incorporation;

b) data and documents certifying subscribed and paid in capital;

c) data and other necessary documents about the persons managing the applicant, respectively about natural persons representing the legal entities - members of the applicant's managing and controlling bodies, or about other persons authorised to manage and represent it, as well as evidence of their professional qualification and experience;

d) (amended, SG No. 16/2022) a business programme, including as a minimum a description of the organisational structure of the applicant and detailed information on the manner in which it will ensure compliance with its obligations under Chapter Ten, Sections II and III, Chapter Twenty-One, and, where applicable, Chapter Twenty-Two;

e) the rules for personal transactions in financial instruments of the members of managing and controlling bodies of the applicant, of its employees and of the related parties thereto;

f) rules establishing the policy and practices in relation to remuneration under Article 221;

g) rules providing for the conditions and procedure for delegation of functions to third parties, as well as the concluded delegation contracts, data and documents ascertaining the compliance with the requirements for delegation and substantiating the selection of the specific third party;

h) data of the persons holding directly or indirectly a qualifying holding in the applicant company or who can control it, and of the number of votes held by them;

i) a written declaration about the applicant's beneficial owners and the origin of funds used for the payment of the contributions against the shares subscribed, including whether the funds are borrowed, as well as about taxes paid thereby in the last 5 years according to a standard form approved by the Deputy Chairperson;

k) data of the persons the applicant is a related person to;

l) other documents and data set out in an ordinance;

2. data and documents in relation to alternative investment funds the applicant intends to manage:

a) data of the investment strategy, including types of investment sub-funds, if the alternative investment fund consists of individual sub-funds, the leverage policy, risk profile and other characteristics of each alternative investment fund the applicant intends to manage;

b) data of the country of establishment of each alternative investment fund, which the applicant manages or intends to manage;

c) data of the country of establishment of the main alternative investment funds, for which the alternative investment funds the applicant manages or intends to manage are feeder funds;

d) the statute and the other instruments of incorporation of each alternative investment fund the applicant manages or intends to manage;

e) data of the measures to determine the depositary of each alternative investment fund the applicant manages or intends to manage, the contracts concluded with the depositary, as well as data and documents certifying compliance with the requirements to the depositary and substantiating the selection thereof;

f) data and documents of all other circumstances under Chapter Twenty One, Section II that shall be subject to disclosure.

(3) A management company applying to be granted a licence for pursuit of the business of alternative investment fund management may refrain from attaching to the application under Paragraph 2 those data and documents that are submitted to the Commission as part of the licensing procedure under Article 86, Paragraph 1, provided they are up-to-date and the management company states this circumstance.

(4) Where an alternative investment fund manager desires to provide services under Article 198, Paragraph 2 and/or 5, which are not included in its licence, it shall have to file an application to the Commission according to a standard form approved by the Deputy Chairperson, for extension of the scope of its licence, to which it shall attach the documents under Paragraph 2, item 1, letters "a", "b", "d" and "g", as well as other data and documents, as provided for in an ordinance.

(5) (New, SG No. 102/2019) Where a person managing alternative investment funds wishes to manage an alternative investment fund which will be a money market fund, it shall an application to the Commission, attaching the documents under Paragraph 2, Item 2 and those under Article 5, paragraph 2 of Regulation (EU) 2017/1131.

(6) (Renumbered from Paragraph (5), amended, SG No. 102/2019) The documents attached to the application as per Paragraph 2, 4 or Paragraph 5 should meet all regulatory requirements, and the data contained therein should be true, complete, clear and unequivocal.

(7) (Renumbered from Paragraph 6, SG No. 102/2019) Based on the documents submitted, the Commission shall check whether the requirements for granting a licence are fulfilled. If the submitted data and documents are incomplete or irregular or if additional information or proof of the veracity of data is necessary, the Commission shall send a notice and shall set a term for elimination of the gaps or irregularities identified, or for submission of additional information and documents, which may not be less than one month and shall not exceed two months.

(8) (Renumbered from Paragraph (7), amended, SG No. 102/2019) If the notice under Paragraph 7 cannot be accepted at the correspondence address indicated by the applicant, the term for elimination of the gaps and irregularities or for submission of additional information and documents shall run from displaying of the notice at a specially designated place in the building of the Commission. This circumstance shall be ascertained by a protocol drawn up by officials designated by an order of the Chairperson.

(9) (Renumbered from Paragraph 8, SG No. 102/2019) The Commission shall come up with a decision on the application after consultations with the competent authorities of the relevant Member States, if the applicant:

1. is a subsidiary of another person which manages alternative investment funds, company, investment intermediary, credit institution or insurer authorised to pursue activity by the competent authorities of another Member State;

2. is a subsidiary of the parent company of another person, which manages alternative investment funds, management company, investment intermediary, credit institution or insurer authorised to pursue activity by the competent authorities of another Member State;

3. is controlled by natural persons or legal entities controlling another person which manages alternative investment funds, management company, investment intermediary, credit institution or insurer authorised to pursue activity by the competent authorities of another Member State;.

(10) (Renumbered from Paragraph (9), amended, SG No. 102/2019) The Commission shall come up with a decision on the application within two months from receipt thereof, and where additional data and documents have been demanded, within two months from receipt thereof or the expiry of the term under Paragraph 7, second sentence, respectively. The term for issuance of a decision shall not run if the documents under Paragraph 2, item 1, letters "c", "d", "f" and "h", and item 2, letters "a", "b" and "c" as a minimum have not been provided.

(11) (Renumbered from Paragraph (10), amended, SG No. 102/2019) The decision for granting of the licence shall state the investment strategies of the alternative investment funds the alternative investment fund manager manages or intends to manage. The Commission may limit the scope of the licence granted down to management of alternative investment funds with specific investment strategies, compared to the ones applied for under Paragraph 2. In the cases under the second sentence, the applicant shall be notified of the grounds for limitation in the notice under Paragraph 7.

(12) (Renumbered from Paragraph (11), SG No. 102/2019) The applicant shall be notified in writing of the decision issued within 7 days.

(13) (Renumbered from Paragraph (12), SG No. 102/2019) An alternative investment fund manager which has no obligation to pursue a business of alternative investment fund management based on a licence, may apply for a licence to be granted in compliance with the requirements and procedures under this section and under Commission Implementing Regulation (EU) No. 447/2013.

(14) (Renumbered from Paragraph (13), SG No. 102/2019) When a licence is granted, the alternative investment fund manager shall be registered in the register kept by the Commission under Article 30, Paragraph 1, of the Financial Supervision Commission Act. The European Securities and Markets Authority (ESMA) shall be notified of the granting of the licence.

Article 202. (New, SG No. 109/2013, effective 20.12.2013) (1) The Commission shall refuse by a reasoned decision to grant a licence, or to extend the existing licence, if:

1. the capital of the applicant does not meet the requirements under Article 199;

2. any of the persons under Article 200 may not hold the position due to a regulatory prohibition or because the person does not meet the requirements of this Act;

3. a person that holds directly or indirectly a qualifying holding or can control the applicant with its activity or influence decision-making, may harm the company's security or its operations;

4. (amended, SG No. 102/2019) the persons with a direct or indirect qualifying holding in the applicant company have made contributions with borrowed funds have made their contributions is not clear and legal;

5. according to its judgement, the amount of the property of the persons with qualifying holding in the applicant and/or the activity pursued thereby by their scale or financial results does not correspond to the holding applied for acquisition in the applicant and creates doubt as to the reliability and appropriateness of such persons to provide capital support to the applicant, where necessary;

6. the applicant has submitted false data or documents with false content;

7. according to its judgement, the activity the applicant intends to pursue does not ensure the necessary reliability and financial stability;

8. the applicant is a related party to one or more natural persons or legal entities and such relatedness could hinder the Commission or the Deputy Chairperson from effectively exercising their supervisory functions;

9. impediments exist for the effective exercise of the supervisory functions of the Commission or the Deputy Chairperson, arising from or in relation to the application of a regulatory or administrative act of a third country, regulating the activity of one or more persons to whom the applicant is a related party;

10. the applicant does not meet the other requirements set out in the Act and the instruments for its application.

(2) (Amended, SG No. 102/2019) In the cases under Paragraph 1, items 1, 2, 4 and 10, the Commission may ultimately refuse to grant a licence only if the applicant has not removed the irregularities or has not submitted the required documents within the time limit set by the Commission, under Article 201, Paragraph 7.

(3) The Commission may refuse to grant a licence if the beneficial owners of a shareholder with a qualifying holding cannot be identified.

(4) (New, SG No. 102/2019) The Commission may refuse to issue authorisation under Article 201, Paragraph 5 in the cases of Article 5, paragraphs 4 and 7 of Regulation (EU) 2017/1131.

(5) (Renumbered from Paragraph (4), SG No. 102/2019) In the event of refusal, the applicant may submit a new application for licence not earlier than 6 months from entry into force of the decision on the refusal.

Article 203. (New, SG No. 109/2013, effective 20.12.2013) (1) A person granted a licence as an alternative investment fund manager may start managing alternative investment funds in line with the data submitted to the application after the effectiveness of the granted licence, provided all the required data and documents under Article 201, Paragraph 2, have been provided with the application.

(2) (Supplemented, SG No. 95/2017, effective 1.01.2018) A person granted a licence as an alternative investment fund manager, which has not provided to its licensing application all the required data and documents under Article 201, Paragraph 2, may start managing alternative investment funds after the effectiveness of the granted licence and the submission of all the required data and documents under Article 201, Paragraph 2, which shall be subject to approval by the Commission by proposal of the Deputy Chairperson. The documents submitted under the first sentence should meet all regulatory requirements and the data contained therein should be true, complete, clear and unequivocal.

(3) (Supplemented, SG No. 95/2017, effective 1.01.2018, amended, SG No. 16/2022) The Commission shall issue or refuse to issue the approval under Paragraph 2 within one week from receipt of the application with attachments thereto, and if additional information and documents have been required - from the receipt thereof.

(4) (Amended, SG No. 95/2017, effective 1.01.2018) Based on the documents submitted, the Commission shall establish to what extent the requirements for the issuance of the requested approval have been complied with. If the data and documents submitted are incomplete or irregular or if additional information is needed, the Commission shall send a notice and shall set a time limit for elimination of the missing data or irregularities or for submission of additional information and documents.

(5) (Amended, SG No. 95/2017, effective 1.01.2018) If the notice under Paragraph 4 is not accepted at the correspondence address stated by the applicant, the time limit for elimination of the gaps and discrepancies or submission of additional information and documents respectively shall run from displaying of the notice at a specially designated place in the building of the Commission. This circumstance shall be ascertained by a protocol drawn up by officials designated by an order of the Chairperson.

(6) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission shall refuse to grant approval under Paragraph 2 if the requirements of the Act and/or the instruments for its application are not complied with or if the interests of the investors are not protected. The refusal shall be reasoned in writing.

Article 204. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 102/2019) The Commission may revoke the licence granted if:

1. the person fails to start pursuing the activity under Article 198, Paragraph 1, within 12 months from the issue thereof, expressly renounces the licence issued or has not performed the activity under Article 198, Paragraph 1 for more than 6 months;

2. the person has submitted false data which have served as a ground for issuing of the licence;

3. the person no longer fulfils the conditions under which the licence was granted;

4. the person no longer meets the requirements of capital adequacy or liquidity, and has not proposed, within a 7-day term from the perpetration of the violation, measures for getting in conformity with these requirements, or fails to eliminate the violation within the term under Article 199, Paragraph 12;

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

6. (amended, SG No. 76/2016, effective 30.09.2016, amended and supplemented, SG No. 15/2018, effective 16.02.2018, SG No. 102/2019, supplemented, SG No. 16/2022) an alternative investment fund manager and/or persons under Article 200 have failed to comply with an imposed administrative measure under Article 264, Paragraph 1, or have breached or have allowed a breach under Article 90, Paragraph 1 of the Markets in Financial Instruments Act and Articles 14 and 15 of Regulation (EU) No. 596/2014 or other gross violation, or systematic violations of this Act, the Public Offering of Securities Act, the Markets in Financial Instruments Act, the repealed Measures Against Market Abuse with Financial Instruments Act, the Implementation of the Measures against Market Abuse with Financial Instruments Act, the Implementation of the Measures against Market Abuse with Financial Instruments Act, the Measures Against Money Laundering Act, the Measures Against the

Financing of Terrorism Act, Regulation (EU) No. 596/2014, Regulation (EU) No. 2015/2365 and/or the instruments for their application;

7. the person hampers the supervision exercised by the Commission and/or the Deputy Chairperson, including by failure to provide the required information about its activities, providing incomplete, unclear or ambiguous information, or information which does not allow for establishing the actually performed activities, the amount and/or the grounds of the realised incomes and/or expenses, or other circumstances of importance for the supervision exercised and the assessment of its activity.

8. the person no more meets the requirements under part Two, Title Two, if the licence covers the services under Article 198, Paragraph 5, item 1.

(2) Before withdrawing the licence of a person originating in the Republic of Bulgaria which manages an alternative investment fund originating in another Member State, the Commission shall consult the competent authorities of that Member State.

(3) The Commission shall notify in writing the company within 7 days from making the decision on licence withdrawal. ESMA shall be notified of the licence withdrawal.

(4) The alternative investment fund manager may change its subject of activity only upon an express refusal of the licence granted to it and if no grounds exist for coercive withdrawal of the licence.

(5) After the decision on licence withdrawal takes effect, the Commission shall immediately send it to the Registry Agency for registration in the Commercial Register and for appointment of a liquidator or to the court - for institution of bankruptcy proceedings, and shall take the necessary measures to inform the public.

Article 205. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 15/2018, effective 16.02.2018) An alternative investment fund manager may not pursue the activity under Article 198 after withdrawal of the licence and after the court decision on institution of bankruptcy proceedings. Article 32 of the Markets in Financial Instruments Act shall apply to the alternative investment fund manager, accordingly.

(2) (Amended, SG No. 95/2017, effective 1.01.2018) An alternative investment fund manager, which has provided the services under Article 198, Paragraph 5, within 14 days of becoming aware of the Commission's decision on licence withdrawal, shall draw up and submit to the Commission a plan for settling its relationships with the clients. The liquidator, the representative of the company respectively, shall monitor the implementation of the plan for settlement of relationships with the clients of the company and shall submit to the Commission documents proving the settlement of such relationships.

(3) (Amended, SG No. 95/2017, effective 1.01.2018) Deregistration of the company from the Commercial Register shall be allowed only after settlement of its relationships with its clients and the Commission shall notify the Registry Agency to that effect.

Article 206. (New, SG No. 109/2013, effective 20.12.2013) An alternative investment fund manager may be restructured only with the permission of the Commission, provided all companies participating in the restructuring are alternative investment fund managers. The terms and procedure of granting authorisation for restructuring shall be provided for in an ordinance.

Section III

(New, SG No. 109/2013, effective 20.12.2013)
Granting and Withdrawal of a Licence for pursuit of business of alternative investment fund management to persons having their seat in a third country

Article 207. (New, SG No. 109/2013, effective 20.12.2013) (1) A licence for pursuit of the business of management of alternative investment funds originating in a Member State by a person having its seat in a third country for which the Republic of Bulgaria is determined as a Member State of reference, as well as marketing in Member States of alternative investment funds managed by such a person, shall be granted by the Commission.

(2) The Republic of Bulgaria may be determined as a country of reference for the purposes under Paragraph 1 in the cases where the alternative investment fund manager intends to:

1. manage one or more alternative investment funds established in the Republic of Bulgaria without managing or marketing alternative investment funds in the territory of other Member States;

2. manage one or more alternative investment funds established in the Republic of Bulgaria and in the territory of other Member States without managing or marketing alternative investment funds in the territory of other Member States, provided the Republic of Bulgaria is the Member State where most of the alternative investment funds are established, or where most of the assets are managed;

3. manage only one alternative investment fund established in a Member State, which has been authorised or registered in the territory of a Member State and the Republic of Bulgaria is the home Member State of this fund, or in which this funds will be marketed;

4. manage only one alternative investment fund established in a Member State, which is not authorised and is not registered in the territory of a Member State, and the Republic of Bulgaria is the Member State in which this fund will be marketed;

5. market only one alternative investment fund established in a third country only in the territory of the Republic of Bulgaria;

6. market in the territory of more than one Member State only one alternative investment fund established in a Member State, which has been authorised or registered in the territory of a Member State and the Republic of Bulgaria is the home Member State of this fund, or is one of the Member States in which this fund will be marketed;

7. market in the territory of more than one Member State only one alternative investment fund established in a Member State, which is not authorised and is not registered in the territory of a Member State, and the Republic of Bulgaria is one of the Member States in which this fund will be marketed;

8. market only one alternative investment fund established in a third country in the territory of more than one Member States, and the Republic of Bulgaria is one of the Member States in which this fund will be marketed;

9. market in the territory of Member States more than one alternative investment fund established in a Member State, which have been authorised or registered in the territory of one Member State, and the Republic of Bulgaria is the home Member State of these funds, or the Member State in which more of these funds will be marketed;

10. market in the territory of Member States more than one alternative investment fund established in a Member State, which have been authorised or registered in the territory of more than one Member States, and the Republic of Bulgaria is the Member State in which more of these funds will be marketed;

11. market in the territory of Member States more than one alternative investment fund established in a Member State and in a third country, or more than one alternative investment fund from a third country, and the Republic of Bulgaria is the Member State in which more of these funds will be marketed.

(3) If when judging according to the criteria for determining a country of reference under Paragraph 2, in addition to Bulgaria another country of reference can be determined in the cases under Paragraph 2, items 2, 3, 6 - 9, the alternative investment fund manager having its seat in a third country, which intends to manage alternative investment funds established in a Member State, and/or to market in Member States the alternative investment funds managed thereby, should file with the Commission and with the competent authorities of all other possible Member State of references an application for determining of the Member State of reference, to which it shall attach its strategy of marketing the alternative investment funds managed by it in the territory of Member States.

(4) In the cases under Paragraph 3, the Commission and the competent authorities of the other Member States, which can be determined as Member State of reference, shall jointly determine, within a one-month term from filing of the request under Paragraph 3, such a Member State of reference, and shall notify in a timely manner the person which filed the application to this effect. Provided the authorities under the first sentence fail to make this decision within the set term, or fail to notify the person which filed the application about this decision within a 7-day term from decision-making, the person shall select a Member State of reference among the stated Member States based on the criteria under Paragraph 2. If the Commission does not agree with the determination of a Member State of reference by the person which filed the application, the Commission may notify the European Securities and Markets Authority (ESMA) to ensure its cooperation under Article 19 of Regulation (EU) No. 1095/2010.

(5) The additional requirements in relation to the procedure under Paragraphs 1 - 4 are set forth in Commission Implementing Regulation (EU) No. 448/2013 of 15 May 2013 establishing a procedure for determining the Member State of reference of a non-EU alternative investment fund managers pursuant to Directive 2011/61/EU of the European Parliament and of the Council (OJ L 132/3 of 16 May 2013) hereinafter referred to as "Implementing Regulation (EU) No. 448/2013".

Article 208. (New, SG No. 109/2013, effective 20.12.2013) (1) For granting of a licence under Article 207, Paragraph 1, an application according to a standard form shall be filed, to which the following shall be attached:

1. the data and documents under Article 201, Paragraph 2;

2. a rationale for determining the Republic of Bulgaria as the Member State of reference and the applicant's strategy for marketing of alternative investment funds managed thereby in the territory of Member States;

3. information of the provisions of this title, which the applicant cannot comply with due to imperative provisions of the national legislation of the applicant or of an alternative investment fund managed thereby from a third country, which will be marketed in the territory of Member States;

4. evidence that the relevant legislation of a third country contains provisions equivalent to the provisions of item 3, as regulatory purpose and provided level of investor protection, and that the applicant complies with these provisions of the third country's legislation;

5. a legal opinion regarding the provisions of a third country under item 4, their regulatory purpose and the investor protection aimed to be achieved thereby;

6. the name or designation of the legal representative of the applicant and its permanent address or registered office, as well as the correspondence address, if it differs from the above.

(2) The data and documents under Article 201, Paragraph 2, item 2, may be provided only for the alternative investment funds established in Member States, which the applicant intends to manage, and for the alternative investment funds which it intends to market in the territory of Member States.

(3) The applicant may be released from compliance with the provisions of this title, if it proves that:

1. the compliance with the respective provision is in conflict with an imperative provision of the national legislation of the applicant or of an alternative investment fund managed thereby from a third country, which will be marketed in the territory of Member States;

2. the third country's legislation applicable to the applicant or to an alternative investment fund managed by it established in a third country contains provisions equivalent to the provisions which will not be complied with, as a regulatory purpose and provided level of investor protection;

3. the applicant and/or an alternative investment fund managed thereby is compliant with the provisions of the third country's legislation under item 2.

(4) (Amended, SG No. 102/2019) The data and documents under Paragraph 1 should meet the requirements under Article 201, Paragraph 6.

(5) (Amended, SG No. 102/2019) The Commission shall come up with a decision on the application filed, in compliance with Article 201, Paragraph 7 – 13 and in compliance with Paragraphs 6 – 8. accordingly. The term for issuing of a decision shall not run if the documents under Paragraph 1 have not been submitted.

(6) (Amended, SG No. 102/2019) Upon receipt of the application under Paragraph 1, the Commission shall assess the determination of the Republic of Bulgaria as a Member State of reference in accordance with the criteria under Article 207, Paragraph 2, and in case of positive assessment, it shall immediately, but not later than one month from the receipt of the application, notify ESMA about the assessment made, and shall provide to ESMA for opinion the data and documents under Paragraph 1, item 2, attached to the application. The term under Article 201, Paragraph 10, shall be suspended from the time of notification under the first sentence to the time of statement of an opinion by ESMA as regards the determination of the Member State of reference.

(7) (Amended, SG No. 102/2019) Upon receipt of the application under Paragraph 1, the Commission shall assess the

compliance with the requirements under Paragraph 3, and in case of a positive assessment, it shall notify immediately, but not later than one month from the receipt of the application, ESMA about the assessment made, and shall provide to ESMA the data and documents under Paragraph 1, items 3 – 5, attached to the application. The term under Article 201, Paragraph 10, shall be suspended from the time of notification under the first sentence to the time of statement of an opinion by ESMA as regards the exemption under Paragraph 2.

(8) In case the Commission issues a decision without taking into consideration the opinion submitted by ESMA under Paragraph 6 and/or Paragraph 7, it shall immediately notify ESMA to this effect, stating the reasons for deviation from the opinion submitted. In the cases where the applicant intends to market alternative investment funds managed thereby in the territory of other Member States and/or other Member States are home countries of alternative investment funds managed by the applicant, the notification under first sentence shall be first sent to the competent authorities of these Member State.

Article 209. (New, SG No. 109/2013, effective 20.12.2013) (1) The Commission shall refuse to issue a licence or to extend the existing licence by a reasoned decision, if:

1. any of the provisions under Article 202, Paragraph 1, items 1 - 9, is in place;

2. the determination of the Republic of Bulgaria as a Member State of reference is not in compliance with Article 207, Paragraph 2, or this determination is not supported by the applicant's strategy for marketing of alternative investment funds managed thereby in the territory of Member States;

3. the legal representative of the applicant does not meet the requirements under Article 223;

4. there are no appropriate cooperation arrangements in place between the Commission, the competent authorities of the home Member State of the relevant alternative investment funds, and the supervision authorities of the third country where the applicant is having its seat, which would provide efficient information exchange allowing the competent authorities to perform their obligations in relation to the supervision over the applicant;

5. the third country where the applicant is having its seat is listed as a Non-cooperative Country or Territory on the list of the Financial Action Task Force;

6. there is no concluded bilateral or multilateral agreement between the Republic of Bulgaria and the third country where the applicant is having its seat, in accordance with the standards established in Article 26 of the Model Tax Convention on Income and on Capital of the Organisation of Economic Cooperation and Development with regard to the income and capital, which provides effective information exchange on tax matters;

7. impediments exist for the effective exercise of the supervisory functions of the Commission or the Deputy Chairperson, arising from or in relation to the application of a regulatory or administrative act of a third country, applicable to the applicant, or from any limitations of the supervisory powers of the competent authorities of the third country;

8. the applicant does not meet the other requirements set out in the Act and the instruments for its application, unless there are in place prerequisites for its exemption from them under Article 208, Paragraph 3.

(2) (Amended, SG No. 102/2019) In the cases under Paragraph 1, items 3 and 8, and Article 202 (1), items 1, 2 and 4, the Commission may finally refuse to grant a licence if the applicant has nor rectified the inconsistencies and has not submitted the required documents within the time limit set thereby under Article 201, Paragraph 7.

(3) The Commission may refuse granting a licence if the beneficial owners of a shareholder with qualifying holding cannot be identified.

(4) In the cases of refusal, the applicant may file a new application for a licence not earlier than 6 months from entry into force of the decision on the refusal.

(5) In the cases a competent authority of an alternative investment fund established in a member state does not accede in a timely manner to the arrangements, provided for in Paragraph 1, item 4, the Commission may notify ESMA to ensure its assistance in accordance with Article 19 of Regulation (EU) 1095/2010.

Article 210. (New, SG No. 109/2013, effective 20.12.2013) (1) A person granted a licence under this section may start

pursuing the activity it is authorised for in accordance with the data submitted to the application after the effectiveness of the granted licence, provided all the required data and documents under Article 208, Paragraph 1, have been provided with the application.

(2) A person granted a licence under this section, which has not provided to its licensing application all the required data and documents under Article 208, Paragraph 1, may start managing alternative investment funds after the effectiveness of the granted licence and the submission of all the required data and documents under Article 208, Paragraph 1. Article 203, Paragraphs 2 - 6 shall apply accordingly.

Article 211. (New, SG No. 109/2013, effective 20.12.2013) (1) In case a person granted a licence under this section, within a two-year term from issuing of the licence, changes its strategy of marketing of alternative investment funds managed thereby in the territory of Member States in a manner that would influence the determination of the Republic of Bulgaria as a Member State of reference in accordance with Article 207, if this strategy had been submitted with its application for granting of a licence, the person shall notify the Commission to this effect before implementing the new strategy, shall state the Member State of reference determined under Article 207, and the new strategy, and shall submit the changed strategy and the data under Article 208, Paragraph 1, item 6, about the legal representative in the new Member State of reference.

(2) Upon receipt of the application under Paragraph 1, the Commission shall assess the determination of the new Member State of reference, and it shall, not later than one month from the receipt of the notification, notify ESMA about the assessment made, and shall provide to ESMA the data and documents attached to the notification.

(3) The Commission shall notify the persons licensed under this section, its initial legal representative, and ESMA about its opinion on the notification made within one-month term from the submission of the ESMA's opinion on the determination of the Member State of reference or from the expiry of the one-month term from the notification of ESMA under Paragraph 2, if ESMA fails to provide an opinion within the said term.

(4) If the Commission's opinion under Paragraph 3 supports the assessment of the person licensed under this section for determination of a new Member State of reference, the Commission shall notify to this effect the competent authority of the new Member State of reference, and shall within 14 days provide to it a copy of all documents submitted or drawn up in relation to licensing and supervision of the person licensed under this section, and from this moment the powers of the Commission in relation to this person shall come to an end.

(5) Where the final assessment by the Commission under Paragraph 3 differs from the opinion submitted by ESMA, it shall immediately notify ESMA to this effect and shall state the reasons for deviation from the opinion submitted. If the applicant markets alternative investment funds managed thereby in the territory of other Member States and/or other Member States are home countries of alternative investment funds managed by the applicant, the notification under the first sentence shall be also sent to the competent authorities of these Member States.

(6) Provided the activity actually pursued by a person licensed under this section in the territory of Member States deviates from the marketing strategy submitted with the application for granting a licence, or if based on this activity, the strategy submitted with the application for granting a licence can be considered to have contained false assertions, or that the person has changed its strategy without compliance with Paragraphs 1 - 5, the Commission shall require from the person to specify the right Member State of reference based on the actually implemented strategy of marketing. Paragraphs 1 - 5 shall apply accordingly.

(7) A person licensed under this section which, after the expiry of two years from the issuance of the licence, changes its strategy of marketing of alternative investment funds managed thereby in the territory of Member States, and based on this change it intends to change its Member State of reference, it shall file an application for this with the Commission. Paragraphs 1 - 5 shall apply accordingly.

(8) Provided the Commission disagrees with the determination of a Member State of reference under Paragraphs 1 - 7, it may notify ESMA to provide its assistance in line with Article 19 of Regulation (EU) No. 1095/2010.

Article 212. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 102/2019) The Commission may revoke the licence granted if:

1. the person fails to perform the activity it was licensed for under this section within 12 months from the issuance of the licence, expressly renounces the licence issued or has not performed the activity it was licences for, for more than 6 months;

2. the person has submitted false data which have served as a ground for issuing of the licence;

3. the person no longer fulfils the conditions under which the licence was granted;

4. the person no longer meets the requirements for capital adequacy or liquidity and fails to propose within 7 days from occurrence of the breach measures for bringing it in compliance with such requirements, or fails to rectify the breach within the time limit under Article 199, Paragraph 11;

5. the financial condition of the person is lastingly impaired and it cannot perform its obligations;

6. (amended, SG No. 76/2016, effective 30.09.2016, amended and supplemented, SG No. 15/2018, effective 16.02.2018, supplemented, SG No. 102/2019) an alternative investment fund manager and/or persons under Article 200 have failed to comply with an imposed coercive administrative measure under Article 264, Paragraph 1, or have breached or have allowed a breach under Article 90, Paragraph 1 of the Markets in Financial Instruments Act and Articles 14 and 15 of Regulation (EU) No. 596/2014 or other gross violation, or systematic violations of this Act, thePublic Offering of Securities Act, the Markets in Financial Instruments Act, the repealed Measures Against Market Abuse with Financial Instruments Act, the Implementation of the Measures against Market Abuse with Financial Instruments Act, the Measures Against Money Laundering Act, Regulation (EU) No. 596/2014, Regulation (EU) 2015/2365 and/or the instruments for their application;

7. the person hampers the supervision exercised by the Commission and/or the Deputy Chairperson, including by failure to provide the required information about its activities, providing incomplete, unclear or ambiguous information, or information which does not allow for establishing the actually performed activities, the amount and/or the grounds of the realised incomes and/or expenses, or other circumstances of importance for the supervision exercised, and the assessment of its activities;

8. the person has failed to declare the change of the Member State of reference in accordance with Article 211, Paragraph 6.

(2) Before withdrawing the licence of a person which manages an alternative investment fund originating in another Member State, the Commission shall consult the competent authorities of that Member State.

(3) The Commission shall notify in writing the company within 7 days from making the decision on licence withdrawal.

(4) The consequences of licence withdrawal shall be resolved in accordance with Article 205, Paragraphs 1 and 2.

Article 213. (New, SG No. 109/2013, effective 20.12.2013) (1) The Commission shall notify ESMA about the issued licences, refusals to issue licences, withdrawn licences, as well as about all changes in licences issued under this section.

(2) The Commission may request access to the ESMA-kept central register with data of licences issued to alternative investment fund managers, refusals to issue licences, withdrawn licences, as well as for all changes in licences issued under this section, treating this information as confidential.

Section IV

(New, SG No. 109/2013, effective 20.12.2013)
Registration of alternative investment fund managers having their seat in the Republic of Bulgaria

Article 214. (New, SG No. 109/2013, effective 20.12.2013) (1) A manager of alternative investment funds, the assets of which do not exceed the thresholds set out in Article 197, Paragraph 1, shall file an application for registration in the register under Article 30, Paragraph 1, of the Financial Supervision Commission Act.

(2) The following shall be attached to the application under Paragraph 1:

1. data of the name, seat and registered office of the person;

2. data of the name, seat and registered office, and investment strategies of the alternative investment funds managed, subject to compliance with Article 5, Paragraph 2 of Delegated Regulation (EU) No. 231/2013;

3. data of the amount of assets of the alternative investment funds managed, separating the assets acquired through use of leverage, calculated in accordance with Article 2 of Delegated Regulation (EU) No. 231/2013;

4. (new, SG No. 102/2019) the statute, rules and the other instruments of incorporation of each alternative investment fund managed by the applicant or drafts of such documents for an alternative investment fund which the applicant intends to manage;

5. (renumbered from item 4, SG No. 102/2019) other data and documents set out in an ordinance.

(3) (Amended, SG No. 102/2019) The Commission shall come up with a decision on the application under Paragraph 1 within one month from receipt thereof, and where additional data and documents have been demanded, within one month from receipt thereof or the expiry of the time limit for their submission. Article 201, Paragraphs 6 – 8 and 12 shall apply accordingly.

(4) The Commission may refuse registration, if the data and documents submitted are incomplete, contain any discrepancies, the amount of the assets managed cannot be established based on the information submitted, or this amount exceeds the thresholds under Article 197, Paragraph 1.

(5) (New, SG No. 25/2022, effective 29.03.2022) Where an applicant under Paragraph 1 is a joint stock company, it may have only with dematerialised shares.

(6) (New, SG No. 102/2019, renumbered from Paragraph (5), SG No. 25/2022, effective 29.03.2022) Chapter Nineteen and Article 242 shall apply to a person managing alternative investment funds whose assets do not exceed the thresholds set out in Article 197, Paragraph 1.

Article 215. (New, SG No. 109/2013, effective 20.12.2013) (1) Within a 7-day term from the occurrence of the respective circumstance, the person registered under this section shall notify the Commission about:

1. any changes in the name, seat and registered office of the person;

2. any changes in the name, seat and registered office, and investment strategies of the alternative investment funds managed;

3. the assumption or termination of management of an alternative investment fund;

4. other data and documents set out in an ordinance.

(2) A person registered under this section shall, within the end of the month following each half-year period, submit to the Commission the information under Article 110, paragraph 1 of Delegated Regulation (EU) No. 231/2013.

Article 216. (New, SG No. 109/2013, effective 20.12.2013) (1) A person registered under this section shall monitor on an ongoing basis the managed assets in accordance with Articles 3 and 4 of Delegated Regulation (EU) No. 231/2013.

(2) Provided the assets managed by a person registered under this section exceed the thresholds set out in Article 197, Paragraph 1, the person shall, within a 3-day term, notify the Commission about this circumstance subject to compliance with Article 4 of Delegated Regulation (EU) No. 231/2013.

(3) Provided a person registered under this section no more meets the requirements for registration in terms of the amount of assets managed thereby, subject to compliance with Article 4, paragraph 2 of Delegated Regulation (EU) No. 231/2013, it should, within a 30-day term from the occurrence of this circumstance, file an application for granting of a licence under Section II.

(4) A person registered under this section, which manages assets below the thresholds under Article 197, Paragraph 1, may request the issuance of a licence for management of alternative investment funds under the terms of this chapter.

(5) (New, SG No. 102/2019) A person registered under this section, which fails to commence activities within 12 months of its entry in the register, terminates the management of alternative investment funds or has not carried out activities for management of alternative investment funds for more than 6 months, shall, within 7 days of the occurrence of the relevant circumstance, notify the Commission in view of its deregistration from the Commission's register.

(6) (New, SG No. 102/2019) The terms and procedure for deregistration of a person registered under this section shall be laid down in an ordinance.

(7) (New, SG No. 102/2019) Additional requirements and terms in respect of the persons registered under this section may be laid down by such ordinance.

Article 217. (New, SG No. 109/2013, effective 20.12.2013) (1) The provisions of this title, outside the ones set forth in this section, shall not apply to alternative investment fund managers registered under this section, which have no obligation to pursue a business of alternative investment fund management based on a licence, and which have not applied for the issuance of such a licence without having the obligation to do so.

(2) Sovereign wealth funds managed by a managing company shall be registered in the register of alternative investment funds by issuance of the authorisation or licence under Article 171, Paragraph 6.

Chapter Twenty One

(New, SG No. 109/2013, effective 20.12.2013)
REQUIREMENTS TO THE ACTIVITES OF ALTERNATIVE INVESTMENT FUND MANAGERS

Section I
(New, SG No. 109/2013, effective 20.12.2013)
Requirements in relation to alternative investment fund managers

Article 218. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund manager shall be obliged to:

1. act faithfully in the best interest of the alternative investment funds it manages, and of the market in general;

2. act with the due skills, care and diligence applying the good standards of professional practice in the best interest of the alternative investment funds it manages, their investors, and of the market in general;

3. have available and use efficiently the resources and procedures required for pursuing its business in line with the applicable requirements and the good standards of professional practices;

4. invest the assets of the alternative investment funds it manages in accordance with the statute or the rules, respectively, or with their instruments of incorporation;

5. prevent any conflict of interest, and where such cannot be prevented - identify, monitor and manage, and where appropriate - disclose the existing conflicts of interest, in order to protect the interests and fair treatment of the alternative investment funds managed, and the investors therein;

6. comply with all regulatory requirements in pursuing its business in the best interest of the alternative investment funds managed, their investors, and of the market in general.

(2) An alternative investment fund manager shall treat investors in each alternative investment fund it manages fairly and equally. Preferential treatment of an investor shall be allowable only if this is provided for in the statute or the rules, respectively, or in the other instruments of incorporation of the respective alternative investment fund;

(3) An alternative investment fund manager the licence of which includes provision of the services under Article 198, Paragraph 5, item 1, shall not have the right to invest all or part of its client's portfolio in units of alternative investment funds which it manages, without having obtained in advance the client's approval for this.

(4) Additional requirements in relation to compliance with Paragraph 1, outside the ones set forth in Delegated Regulation (EU) No. 231/2013, may be provided for in an ordinance.

Article 219. (New, SG No. 109/2013, effective 20.12.2013) (1) In organising and pursuing of its business, an alternative investment fund manager shall be obliged to:

1. develop and maintain stable and duly documented internal organisation ensuring professional and continuous pursuit of its business, distribution of responsibilities, prevention, finding out, monitoring, management and disclosure of conflicts of interest, clear lines of command, information exchange and control;

2. have in place clear and adequate internal control mechanisms;

3. adopt and apply rules of personal transactions of the managing and controlling bodies of the alternative investment fund manager, of its employees and the parties related thereto, as well as rules of investing own funds of the alternative investment fund manager;

4. have in place control and safeguard arrangements for electronic data processing;

5. have in place at any time accounting arrangements which ensures timely, complete and correct accounting, presentation and keeping of accounting records;

6. have in place at any time the necessary human and technical resources to ensure professional and autonomous management of alternative investment funds;

7. prepare and apply rules of storing of information and of reporting, which shall ensure that each transaction concluded on behalf of the alternative investment funds managed by it may be reconstructed at least according to the history of the transaction, its value, the parties to it, its nature, and the time and place at which it was concluded and if it was concluded in compliance with the alternative investment fund's rules, and with the 'regulatory provisions in force at the time of conclusion of the transaction;

8. (new, SG No. 76/2016, effective 30.09.2016) have functioning arrangements for handling complaints received.

(2) Additional requirements in relation to compliance with Paragraph 1, outside the ones set forth in Delegated Regulation (EU) No. 231/2013, may be provided for in an ordinance.

Article 219a. (New, SG No. 26/2020) (1) Articles 105a and 105b shall apply mutatis mutandis to an alternative investment fund manager that has obtained a licence in accordance with Article 201.

(2) When implementing the engagement policy, the alternative investment fund manager shall comply with the provisions of Articles 219 and 220.

Article 220. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund manager shall take all measures in accordance with Delegated Regulation (EU) No. 231/2013 and the written rules and procedures under Article 219, Paragraph 1, item 1, to prevent, identify, monitor and manage conflicts of interest, which occur or may occur in the management of alternative investment funds between:

1. the alternative investment fund manager, including members of its managing and controlling bodies, other persons employed by it, or persons related thereto or to the alternative investment funds managed thereby, or the investors therein;

2. two or more alternative investment funds or the investors therein;

3. alternative investment funds or the investors therein, and another client of the alternative investment fund manager;

4. an alternative investment fund or the investors therein and a collective investment scheme managed by the alternative investment fund manager, or the investors in such a scheme;

5. two clients of the alternative investment fund manager.

(2) An alternative investment fund manager shall set out in its written rules and procedures under Article 219, Paragraph 1, item 1, and shall apply effective organisational and administrative mechanisms for preventing, identifying, monitoring and managing conflicts of interest, with the purpose of preventing any harm of the interests of the managed alternative investment funds and their investors. These measure shall include as a minimum:

1. identifying the processes and activities, which depending on their nature, the applicable requirements or good standards of professional practice could be considered mutually incompatible, or the combined implementation of which could result in systematic conflicts of interest, while ensuring organisationwise the segregated performance of such processes and activities;

2. identifying any prerequisites in the organisation, management, resources and other terms and conditions of pursuing of the activity, which could result in significant conflicts of interest, and their disclosure to investors in the alternative investment funds managed;

3. disclosure to investors of the nature and sources of conflicts of interest, where the implemented measures for identifying, preventing, monitoring and managing conflicts of interest do not sufficiently guarantee prevention of damage to investors' interests;

4. conclusion of a contract in writing with the main investment intermediary, if any, whose services will be used in implementing the investment policy of a managed alternative investment fund;

5. other measures provided for in Delegated Regulation (EU) No. 231/2013, or set forth in an ordinance.

(3) An alternative investment fund manager shall select the main investment intermediaries, whose services will be used in implementing the investment policy of a managed alternative investment fund, with the due skill, care and diligence, implementing the good standards of professional practice. The contract under Paragraph 2, item 4, shall set forth the terms and conditions of transfer and subsequent use of the assets of the respective alternative investment fund in accordance with the statute, the rules and other instruments of incorporation of the fund managed. A copy of the contract shall be placed with the depositary of the alternative investment fund.

Article 221. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund manager shall adopt and implement a policy covering all forms of remuneration with regard to the management of alternative investment funds, by also paying other financial and/or material incentives, including benefits relating to voluntary pension or health insurance paid by the alternative investment fund manager, and all remunerations paid directly by alternative investment funds managed, including deferred remuneration payments, as well as transfer of units or shares from the alternative investment funds managed in favour of the following categories of staff:

1. senior management;

2. employees whose duties involve risk taking;

3. employees with control functions;

4. all other employees the remuneration of which are commensurate with the remunerations of the employees under items 1 and 2, and whose activities have a impact on the risk profile of the alternative investment fund manager, or on the risk profiles of the alternative investment funds managed.

(2) The policy under Paragraph 1 shall meet the following requirements compliant with the size and organisation of the alternative investment fund manager, as well as with the nature, scope and complexity of its activities:

1. shall be consistent with the principles of, and promoting, sound and effective risk management and shall not encourage risk-taking which is inconsistent with the risk profiles, statutes, rules or instruments of incorporation of the alternative investment funds they manage;

2. the remuneration policy shall be consistent with the business strategy, objectives, values and interests of the alternative investment fund manager and of the alternative investment funds managed or of the investors therein, and shall include measures to prevent conflicts of interest;

3. the persons under Paragraph 1, item 3, shall receive remuneration consistent with the achievement of the objectives related to their functions, irrespective of the performance of the business areas they control;

4. the remuneration of the persons under Paragraph 1, item 1, performing risk management and compliance functions shall be directly overseen by the remuneration committee;

5. where remuneration is performance related, the total amount of remuneration shall be based on a combination of the assessment of the performance of the individual and of the business unit where it works or of the alternative investment fund concerned and of the overall results of the alternative investment fund manager;

6. assessment of individual performance shall be based on, financial and non-financial criteria;

7. assessment of performance shall be set in a multi-year framework appropriate to the economic cycle of the alternative investment funds managed by the alternative investment fund manager in order to ensure that the assessment process is based on longer-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the redemption policy of the alternative investment funds it manages and their investment risks;

8. guaranteed variable remuneration shall be exceptional, and shall occur only in the context of hiring new staff and only for the first year after their appointment;

9. an appropriate proportion between fixed and variable components of remuneration shall be set depending on the staff category, and a maximum upper limit shall be set for the variable remuneration of each staff category, and the fixed component shall represent a sufficiently high amount exceeding the allowable variable share of the remuneration, thus allowing the operation of a fully flexible policy, on variable remuneration components, including the possibility to pay no variable remuneration component;

10. payments related to the early termination of a contract shall reflect performance achieved over time and shall be determined in a way that does not reward failure;

11. the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components shall include a comprehensive adjustment mechanism to integrate all relevant types of current and future risks;

12. subject to the legal structure of the alternative investment fund and its statute, rules or instruments of incorporation, at least 50 per cent of the variable remuneration shall consist of units or shares of the alternative investment fund concerned, or equivalent ownership interests, or share-linked instruments or equivalent non-cash instruments, whereas this threshold may be lower, if the management of the alternative investment fund accounts for less than 50 per cent of the total portfolio managed by the alternative investment fund manager.

13. the instruments under item 12 shall be subject to an appropriate retention policy aiming at achieving correspondence between the incentives and the interests of the alternative investment fund manager and the alternative investment funds managed, and their investors;

14. not less than 40 per cent of the variable remuneration shall be deferred over a period which is appropriate depending on the economic cycle and the unit redemption policy of the respective alternative investment fund, and shall correspond to the nature of the risks of the respective alternative investment fund; the term may be shorter than three years, if the economic cycle of the fund is shorter; and the remuneration shall be paid pro-rata to the time; and in case of particularly large amount of the variable remuneration, at least 60 per cent of the amount shall be deferred;

15. the variable remuneration, including the deferred portion, shall be paid only if it corresponds to the overall financial condition of the manager of alternative investment funds, and is justified from the point of view of the performance of the person under Paragraph 1, the business unit where he/she works, and the respective alternative investment fund; in case of unsatisfactory or negative financial results of the alternative investment fund manager or of the alternative investment fund concerned, the total variable remuneration shall generally be considerably reduced, including by reducing current compensation, reduction of payouts of amounts previously earned, or clawback arrangements;

16. the policy of pension compensations upon retirement should be in line with the business strategy, objectives, values and long-term interests of the alternative investment fund manager and the alternative investment funds it manages, and where an employee leaves before retirement, the pension compensation upon retirement shall be held by the alternative investment fund manager for a period of 5 years in the form of instruments under item 12 and where an employee reaches retirement age, the compensations upon retirement shall be paid to the employee in the form of instruments under item 12, which the employee may not transfer for a period of 5 years;

17. employees shall be obliged to not to use personal strategies for limiting risk or remuneration- or liability-related insurance to reduce the risk-related effects on their remuneration provided for in their agreements;

18. variable remuneration shall not be paid through vehicles or methods that facilitate the avoidance of the requirements stipulated in items 1 - 17.

(3) The policy under Paragraph 1, shall be adopted by the managing body of the alternative investment fund manager, which shall review periodically its principles, and shall be responsible for compliance with them. The policy under Paragraph 1 shall be subject to central and independent internal review at least once a year.

(4) An alternative investment fund manager that is significant in terms of its size, organization, nature, scope and complexity of its activities, or in terms of the size of the alternative investment funds it manages, shall establish a remuneration committee, the members of which shall be members of the managing body to who no management is assigned. The remuneration committee shall be constituted in a way that enables it to exercise competent and independent judgment on the policy under Paragraph 1

and the practices of its implementation, as well as the incentives created for managing risk. The remuneration committee shall be responsible for the preparation of the managing body's decisions regarding remuneration, including those which have implications for the risk and risk management of the alternative investment fund manager or the alternative investment funds managed.

(5) Additional requirements to the remuneration policy implemented may be set forth in an ordinance.

Article 222. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund manager may conclude a contract with a third party by which it delegates to this third party the performance of certain of its functions, provided the following conditions have been met:

1. the delegation of functions to a third party is necessitated by objective reasons;

2. the delegation of functions shall not be in a degree as to prevent the alternative investment fund manager to be considered as such, or in a manner that its functions are brought down to accepting and forwarding information;

3. the determination of the third party and the subsequent review of its selection and of the performance of the functions delegated to this party shall be done with the due skill, care and diligence, applying the good standards of professional practice in the best interests of the alternative investment funds it manages, of their investors, and of the market in general;

4. the third party must have at its disposal organization, technical resources and qualified staff to ensure the performance of the delegated functions in accordance with the requirements of this Act;

5. persons managing the activities of the third party must be of good repute and experience in the delegated activity of at least one year;

6. (amended, SG No. 95/2017, effective 1.01.2018) where functions of portfolio management or risk management are delegated, they must be conferred only on undertakings which are licensed or registered for the purpose of asset management, and are subject to supervision or, where that condition cannot be met, the third party shall be only subject to approval by the Commission by proposal of the Deputy Chairperson;

7. where functions of portfolio management or management of the risk of a company from a third country are delegated, cooperation between the Commission and the authority exercising supervision over the third party must be ensured;

8. the conclusion of a contract with the third party must not interfere with the effective supervision of the Commission or the Deputy Chairperson and must not prevent the management of the alternative investment fund in the best interests of the investors;

9. the contract with the third party must contain provisions that allow the alternative investment fund manager to exercise at any time effective supervision over the activities of the third party in relation to the performance of the concluded contract, including to receive from time to time and/or upon request information from this person;

10. the contract with the third party must contain provisions that allow the alternative investment fund manager to give at any time further instructions to the other party to the contract and to unilaterally terminate the contract without prior notice when this is in the interest of investors.

(2) An alternative investment fund manager may not delegate functions of portfolio management or management of the risk of the depositary, or of a subcontractor of the depositary.

(3) An alternative investment fund manager may not delegate functions of portfolio management or risk management to a third party, whose interests may conflict with those of the alternative investment fund manager or the investors of the alternative investment funds, unless such entity has organizationally and functionally separated the performance of its portfolio management or risk management tasks from the processes and activities it performs, and which are or may possibly be incompatible with these functions, and the conflicts of interest, which may arise, are properly identified, managed, monitored and disclosed to the investors of the alternative investment fund managed.

(4) (Amended, SG No. 95/2017, effective 1.01.2018, SG No. 15/2018, effective 16.02.2018) Delegation of functions to a third party shall be allowed if there is an approval for this granted in advance by the Commission. Attached to the application for granting such approval shall be the contract concluded, data and documents certifying the compliance with the requirements under Paragraph 1 and substantiating the selection of the particular third party, as set forth in an ordinance. The Commission

shall come up with a decision according to the procedure under Article 203, Paragraphs 3 - 6.

(5) A third party to whom functions are delegated by an alternative investment fund manager may subsequently sub-delegate one or more of these functions, and also a person to whom these functions are sub-delegated may further sub-delegate some of them, provided that the following conditions are met:

1. the alternative investment fund manager has consented prior to the sub-delegation;

2. the requirements under Paragraphs 1 and 4 have been met accordingly.

(6) In the cases under Paragraph 5, the restrictions under paras 2 and 3 shall apply.

(7) The delegation of functions under Paragraph 1 and the sub-delegation under Paragraph 5 shall not release the alternative investment fund manager from the liability to the alternative investment funds managed and their investors.

(8) The alternative investment fund manager and the third party to whom functions are delegated pursuant to Paragraph 1, if it has sub-delegated any of these functions, shall make at least once a year a review of the concluded contracts for delegation of functions and of their performance.

(9) Further requirements in relation to the performance under Paragraph 1, outside the ones provided for in Delegated Regulation (EU) No. 231/2013, may be set forth in an ordinance.

Article 223. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund manager having its seat in a third country for which the Republic of Bulgaria is a Member State of reference, shall have a legal representative with a permanent address, if it is a physical person, or with a seat or branch, if it is a legal entity, in the territory of the Republic of Bulgaria, through which correspondence shall be kept between the Commission and the alternative investment fund manager, between investors from the European Union in the respective alternative investment fund marketed or managed by this manager and the manager, as well as between this manager and other persons it has relations with in connection to the marketing and/or management of the alternative investment fund in the territory of the Member State.

(2) The legal representative under Paragraph 1 together with the person, who represents, exercises compliance functions in relation to the marketing and management activities performed by the person from a third country pursuant to this Act. The legal representative who is a physical person shall have qualifications and professional experience for performance of the function under the first sentence, and the legal representative which is a legal entity shall have staff with the required qualifications and experience. Further requirements to the legal representative shall be set forth in an ordinance.

Article 224. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 95/2017, effective 1.01.2018) Any physical or legal person or persons acting in concert, who have decided to acquire directly or indirectly a qualifying holding in an alternative investment fund manager should notify in writing the Commission prior to the acquisition. The requirements under the first sentence shall apply to any physical or legal person, or persons acting in concert who have decided to increase subsequently directly or indirectly a qualifying holding in a way that it will reach or exceed the thresholds of one fifth, one third or half of the capital or of the votes in the general meeting of an alternative investment fund manager, or in such a way as in consequence of this increase the alternative investment fund manager will become their subsidiary.

(2) (Amended, SG No. 95/2017, effective 1.01.2018, SG No. 15/2018, effective 16.02.2018) The Commission shall assess the acquisition stated under Paragraph 1, subject to applying Article 53 - 57 and Article 59 of the Markets in Financial Instruments Act, and the term under Article 56, paragraph 1 of the Markets in Financial Instruments Act shall be 30 business days, and under Article 56, paragraphs 2 - 5 of the same Act – 20 business days.

Article 225. (New, SG No. 109/2013, effective 20.12.2013, amended and supplemented, SG No. 95/2017, effective 1.01.2018) Any change in the documents under Article 201, Paragraph 2, item 1, letters "d" and "f" shall be allowed after approval by the Commission by proposal of the Deputy Chairperson, for granting of which an application must be filed with, as set out in an ordinance. The Commission shall come up with a decision according to the procedure under Article 203, Paragraphs 3 - 6.

Article 226. (New, SG No. 109/2013, effective 20.12.2013) (1) (Supplemented, SG No. 102/2019) The person managing alternative investment funds shall submit to the Commission an annual report prepared in accordance with the international Accounting Standards within 90 days from the end of the financial year with a content as set out in an ordinance.

(2) The alternative investment fund manager shall be obliged to submit to the Commission by the 10th day of the month following the respective quarter a balance sheet and income statement as of the last date of each quarter, as well as a quarterly report on its capital adequacy and liquidity with a content as set out in an ordinance.

(3) (Amended, SG No. 95/2017, effective 1.01.2018) Where any gaps and other inconsistencies with the requirements of the law, including with the International Financial Reporting Standards, are found out in the capital adequacy and liquidity reports, as well as in the financial statements, registers and other accounting documents, the Commission shall send a notice and shall set a term within which the alternative investment fund manager shall be obliged to eliminate them. Article 203, Paragraph 5 shall apply accordingly.

(4) The auditor of the alternative investment fund manager shall notify immediately the Commission of any circumstance, which has become known to him in the process of auditing of the alternative investment fund manager, or of a person related thereto, which constitutes a material violation of this Act and/or of the instruments for its application, or which may adversely impact the pursuit of the business of the alternative investment fund manager, or constitutes a ground for refusal to express an opinion, ground for qualifications, or ground for an adverse opinion. In the cases under the first sentence, the restrictions on disclosure of information set out in a law, regulation or a contract shall not apply.

Article 227. (New, SG No. 109/2013, effective 20.12.2013) (1) The alternative investment fund manager shall notify the Commission about:

1. opening or closing of a branch;

2. any changes in the name entered in the licence issued, as well as a change in the seat and registered office;

3. any amendments and supplements to the statute or the articles of incorporation and in other documents that served as grounds for granting of the licence of the alternative investment fund manager;

4. changes in the persons under Article 200;

5. other circumstances, as set out in an ordinance.

(2) The obligation under Paragraph 1 shall be performed by the alternative investment fund manager within a 7-day term from making of the decision, filing of or becoming aware of the amendment or supplement, and in the cases where the circumstance is subject to registration in the Commercial Register, from this registration.

(3) (Amended, SG No. 102/2019) The alternative investment fund manager shall notify the Commission about any acquisition or transfer of holding pursuant to Article 224 within one day from becoming aware of it, and shall submit to the Commission as of 30th June and 31th December each year within a 10-day term from the dates set, a list of the persons holding directly or indirectly a qualifying holding, as well as data of the votes in the general meeting held by them.

Article 228. (New, SG No. 109/2013, effective 20.12.2013) (1) In the cases where the licence of an alternative investment fund manager includes providing of the services under Article 198, Paragraph 5, item 1, and the alternative investment fund manager holds money and/or financial instruments of such clients and therefore it may incur obligations to them, it shall be obliged to make monetary contributions to the Investor Compensation Fund under Article 77n, Paragraph 2 of the Public Offering of Securities Act. The provisions of Chapter Five, Section IV of the Public Offering of Securities Act shall apply accordingly.

(2) (Amended, SG No. 15/2018, effective 16.02.2018) For an alternative investment fund manager providing services under Article 198, Paragraph 5, the provisions of Article 5, paragraph 4, Article 65, paragraphs 1, 2, 4 and 5, Article 71, 72, 73, 76, 78, 79, 81, Article 82, paragraph 2, Article 86, 90, Article 91, paragraph 1, Article 92, Article 93, paragraphs 1, 3, 4 and 5 and Article 94 of the Markets in Financial Instruments Act shall apply.

Section II

(New, SG No. 109/2013, effective 20.12.2013)
Requirements in relation to the alternative investment funds managed

Article 229. (New, SG No. 109/2013, effective 20.12.2013) (1) (Supplemented, SG No. 22/2015, effective 24.03.2015) An alternative investment fund manager shall adopt and apply clear, complete and specific written risk management rules with

the purpose to identify, measure, monitor on an ongoing basis, manage and control at any moment the risk of any investment position and its effect on the overall risk profile of any alternative investment fund managed, and of all other risks the alternative investment fund is exposed to or may be exposed to, and which impact its investment strategy. When assessing the creditworthiness of assets of the assets of the alternative investment funds, managed by it the manager shall collect and analyze any relevant information, required for performance of this assessment and must not rely solely and mechanically on credit ratings, assigned by credit rating agencies under Article 3, para. 1, letter "b" of Regulation of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (OJ, L 302/1 of 17 November 2009).

(2) The rules under Paragraph 1 should ensure:

1. the functional and organizational separation of the functions of risk management from the functions of portfolio management and from the operating functions, in relation to the performance of which risks may arise for the alternative investment fund by establishing a permanent risk management unit;

2. the proper identification, measurement, monitoring, management and control of the risks related to any investment position and of their effect on the overall risk profile of any alternative investment fund managed, including by using appropriate stress-testing procedures;

3. determining and observing the maximum level of leverage employed in the management of the respective alternative investment fund and of the right of reuse of a collateral that can be provided in relation to investment positions with use of leverage, taking into account the type of the alternative investment fund, its investment strategy, the sources of leverage employed, all other connections and relationships with institutions in the financial market, which can generate systemic risk, the need of restricting the exposure to any counterparty, the degree of collateralization when employing leverage, the asset to liability ratio, the scale, character and scope of activities of the alternative investment fund manager in the respective markets.

(3) When investing the assets of an alternative investment fund, the alternative investment fund manager shall:

1. observe the investment strategy, goals and risk profile of the alternative investment fund;

2. apply the sufficient and adequate procedures, as set out in the rules under Paragraph 1, of comprehensive check of the nature and degree of risks, which the alternative investment fund may be exposed to in making the respective investment, and the impact of these risks on the investment strategy of the alternative investment fund;

3. ensure on-going monitoring and reassessment of risks, which the alternative investment fund may be exposed to in relation to every investment position and as a result of the combination of more or of all investment positions;

4. manage the identified risks in a manner to ensure that the risk profile of the alternative investment fund corresponds to the size and structure of the portfolio, to the investment strategy and goals of the fund, as laid down in the statute, the rules, and in other instruments of incorporation, in the prospectus and the documents in relation to marketing of the alternative investment fund.

(4) The alternative investment fund manager shall at least once a year assess the risk management systems established with the rules under Paragraph 1, and their operation, and where needed amendments to these rules shall be adopted.

(5) (Amended and supplemented, SG No. 95/2017, effective 1.01.2018) An amendment to the rules under Paragraph 1 shall be allowed after approval by the Commission by proposal of the Deputy Chairperson, for which an application shall be filed, with the documents as set out in an ordinance attached to it. The Commission shall come up with a decision under Article 203, Paragraphs 3 - 6.

(6) (New, SG No. 22/2015, effective 24.03.2015, amended, SG No. 95/2017, effective 1.01.2018) When assessing compliance with the requirements under Paragraph 1 and of the adequacy of the methods of credit evaluation, applied by the alternative investment fund manager, the Commission shall take into account the nature, scope and complexity of the activities of the alternative investment fund, assess the usage of references to credit ratings and if required, take measures for limiting reliance solely and mechanically on credit ratings.

(7) (Renumbered from Paragraph 6, SG No. 22/2015, effective 24.03.2015) Further requirements in relation to the rules, organisation, systems and processes of risk management outside those laid down in Delegated Regulation (EU) No. 231/2013, may be set forth in an ordinance.

(8) (New, SG No. 102/2019) The common reference parameters for the scenarios used in the stress tests conducted in

accordance with Article 28 of Regulation (EU) 2017/1131 of an alternative investment fund which is a money market fund shall be determined with the ESMA guidelines under Article 28, paragraph 7 of Regulation (EU) 2017/1131, in respect whereof the Commission has issued a decision on their application in accordance with Article 13, Paragraph 1, Item 26 of the Financial Supervision Commission Act, may be set out in an ordinance as additional requirements.

Article 230. (New, SG No. 109/2013, effective 20.12.2013) (1) For each alternative investment fund managed, other than closed-ended alternative investment fund which does not employ leverage, the alternative investment fund manager shall adopt and apply clear, complete and specific written liquidity management rules with the purpose to identify, measure, monitor and control the risk in relation to the liquidity of the alternative investment fund and to ensure correspondence between the liquidity profile of the investments and liabilities of the fund.

(2) An alternative investment fund manager shall conduct with frequency corresponding to the characteristics of the alternative investment fund managed stress-tests under usual and extraordinary conditions in relation to the liquidity, which shall allow it to measure and monitor the liquidity risk of the fund managed.

(3) For each alternative investment fund managed, the alternative investment fund manager shall ensure consistency of the investment strategy, liquidity portfolio and redemption policy of the fund.

(4) Further requirements in relation to the rules, organisation, systems and processes of liquidity management outside those laid down in Delegated Regulation (EU) No. 231/2013, may be set forth in an ordinance.

Article 231. (New, SG No. 109/2013, effective 20.12.2013) (1) (Previous text of Article 231, amended, SG No. 21/2021) An alternative investment fund manager may invest the assets of an alternative investment fund managed thereby in securitisation positions only if the requirements under Regulation (EU) No. 2017/2402 are complied with.

(2) (New, SG No. 21/2021) When an alternative investment fund manager may has securitisation position and the securitisation no longer complies with the requirements provided in Regulation (EU) 2017/2402, the alternative investment fund manager shall act in the best interests of investors and take action to comply with the requirements of the Regulation where necessary.

Article 232. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended and supplemented, SG No. 95/2017, effective 1.01.2018, amended, SG No. 16/2022) For each alternative investment fund managed, the alternative investment fund manager shall adopt and apply clear, complete and specific written rules with the purpose to make an accurate and independent valuation of assets and for calculation of the net value of the assets per one unit or share of the fund in line with the applicable legislation of the country where the respective alternative investment fund is established, and with its statute, rules or other instruments of incorporation. Amendments to the rules under the first sentence of alternative investment funds established in the Republic of Bulgaria shall be subject to prior approval by the Commission on proposal by the Deputy Chairperson, which shall come up with a decision on the application filed for issuance of an approval under the procedure of Article 203, Paragraphs 3 – 6.

(2) The valuation of the assets of the alternative investment fund shall be made by the alternative investment fund manager or by an external valuer - a physical or legal person independent from the fund, from the fund manager and from a person related to the fund or to the fund manager.

(3) Where the valuation of the assets of an alternative investment fund is made by the person managing it, the valuation function shall be organisationally and functionally separated from the performance of the portfolio management functions and in the rules applied by the alternative investment fund manager, including in the remuneration policy, there shall be established measures for limiting conflicts of interest and for prevention of undue influence upon employees performing these functions.

(4) Where the valuation of the assets of an alternative investment fund is made by an external person, the following requirements shall be complied with:

1. the external valuer shall perform its activity based on mandatory professional registration provided for in a law or on the basis of statutory rules or rules of professional conduct;

2. there shall be objectively ascertainable guarantees that the external valuer is in a position to perform effectively the relevant valuation function in accordance with the requirements under paragraphs 1 - 3 and paragraphs 5 - 11;

3. the requirements of Article 222, Paragraphs 1, 2 and 3 and of Delegated Regulation (EU) No. 231/2013 have been complied with.

(5) An alternative investment fund manager may not delegate the function of valuation of the assets of a managed alternative investment fund to its depositary, unless the depositary has separated organisationally and functionally the performance of its functions as a depositary from the performance of its functions as a valuer, and the conflicts of interest which may arise are respectively identified, managed, monitored and disclosed to the investors of the alternative investment fund.

(6) (Supplemented, SG No. 95/2017, effective 1.01.2018) The delegation of the valuation function to an external valuer shall be allowed only if in compliance with the requirements of Delegated Regulation (EU) No. 231/2013, and if a prior approval has been issued to this effect by the Commission by proposal of the Deputy Chairperson under the provisions of Article 222, Paragraph 4. Data and documents certifying the compliance with the requirements under Paragraph 4 shall be attached to the application for issuance of an approval.

(7) The external valuer appointed may not delegate the valuation function to a third party.

(8) Valuation of the assets of an alternative investment fund and calculation of the net value of the assets per unit or share shall be made based on objective criteria and in compliance with the procedures laid down in the rules under Paragraph 1 and in the applicable legislation, taking the due care and with the following frequency:

1. for an alternative investment fund of the closed-ended type - at least once a year, and for a fund for which the Republic of Bulgaria is a home Member State - once per three months, as well as in case of increase or decrease of capital;

2. for an alternative investment fund of the open-ended type - at a frequency which corresponds to the fund's issuance and redemption policy, and is also appropriate in terms of the assets held by it.

(9) An alternative investment fund manager shall disclose to the Commission and shall provide to the investors in an appropriate manner, as provided for in the statute, rules or other instruments of incorporation of the managed alternative investment fund, information of the determined net value of the assets per unit or share of the alternative investment fund not later than the day following the day of calculation of this value.

(10) An alternative investment fund manager shall be responsible for the accurate valuation of the assets of the alternative investment funds managed, the calculation of the net asset value and its publication. The responsibility under the first sentence shall not be limited in case of delegation of the valuation function to an external valuer. The external valuer shall be responsible to the alternative investment fund manager for any loss incurred by the latter as a result of default on the obligations of the external valuer, for which the latter is responsible.

(11) Further requirements in relation to the valuation of the assets and the calculation of the net asset value, outside those laid down in Delegated Regulation (EU) No. 231/2013, shall be set forth in an ordinance.

Article 233. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund manager, for each alternative investment fund, shall conclude a contract with a depositary, which:

1. shall safe-keep the assets held by the alternative investment fund, including through the alternative investment fund manager acting for it, as follows:

a) the dematerialised financial instruments shall be registered with a depositary institution to a sub-account of the depositary and the depositary shall safe-keep these instruments in separate accounts opened in the name of the alternative investment fund, or of the alternative investment fund manager acting on behalf of the fund;

b) other financial instruments shall be safe-kept at the depositary;

c) the depositary shall keep a register of the remaining assets after establishing the ownership of the alternative investment fund over these assets, including through the alternative investment fund manager acting for it, based on the data and documents or other evidence to which the depositary has access, provided by the alternative investment fund, including through the person acting on its behalf, whereas the depositary shall keep up-to-date data about the ownership;

2. (amended, SG No. 15/2018, effective 16.02.2018) shall monitor the cash flows of the alternative investment fund and shall guarantee that the payments received at the time of issue of units and shares of the alternative investment fund are received into, respectively all cash funds of the fund are kept in, accounts opened in the name of the alternative investment fund or in the name of the alternative investment fund manager acting on behalf of the alternative investment fund, or in, the name of the depositary acting on behalf of the alternative investment fund with a person under Article 93, Paragraph 1, items 1 - 3 of the Markets in

Financial Instruments Act, or with another person having the same functions as a person under Article 93, Paragraph 1, items 1 - 3 of the Markets in Financial Instruments Act in the respective third country market, at which maintaining of cash accounts is required, provided this person is subject to regulation and supervision equivalent to the requirements and principles of the Community law regulating the activities of the persons under Article 93, Paragraph 1, items 1 - 3 of the Markets in Financial Instruments Act; the monetary funds of the alternative investment fund shall be separated from the monetary funds of the person under Article 93, Paragraph 1, items 1 - 3 of the Markets in Financial Instruments Act and from the monetary funds of the depositary or of another person in whose name the accounts were opened;

3. shall ensure that the issue, sale, redemption and cancellation of the units or shares of the alternative investment fund are carried out in accordance with the law and the statute, respectively with the rules or with the other instruments of incorporation of the alternative investment fund;

4. shall ensure that the value of the units or shares of the alternative investment fund is calculated in accordance with the law and the statute, respectively with the rules or with the other instruments of incorporation of the alternative investment fund;

5. shall dispose with the assets entrusted to it only in accordance with the instructions of the alternative investment fund manager, unless they conflict with the law, the statute, respectively with the rules or with the other instruments of incorporation of the alternative investment fund;

6. shall monitor for the remittance of all fcash resulting from transactions with assets of the funds in favour of the alternative investment fund within the usual time limits;

7. shall ensure that the income of the alternative investment fund is collected and applied in accordance with the law and the statute, respectively with the rules or with the other instruments of incorporation of the alternative investment fund;

8. shall report on a regular basis to the alternative investment fund for the entrusted assets and the effected operations;

9. (new, SG No. 16/2022) shall check whether the person managing alternative investment funds has adopted and introduced procedures for conducting liquidity stress tests of the alternative investment fund.

(2) The following may be a depositary of an alternative investment fund:

1. for an alternative investment fund originating in the Republic of Bulgaria - a depositary meeting the requirements of Article 35;

2. for an alternative investment fund originating in another Member State - a depositary having its seat or a branch in this Member State and which meets the requirements of its legislation;

3. for an alternative investment fund from a third country - a bank or an investment intermediary with its seat or a branch licensed in a third country, or a depositary having its seat or a branch in the home Member State or in a member State of reference of the alternative investment fund manager and which meets the requirements of the legislation of that Member State.

(3) A bank or an investment intermediary with its seat or a branch licensed in a third country may be a depositary of an alternative investment fund, if the following requirements are complied with:

1. there are appropriate cooperation arrangements in place between the Commission, the competent authorities of the Member State where the units or shares of the alternative investment fund will be marketed, to the extent to which they differ, and the supervision authorities of the third country where the depositary is having its seat or a branch, which would provide effective information exchange with a view to the performance by the Commission of its supervision powers;

2. the activity of the depositary shall be subject of effective regulation and control, including with regard to the minimum capital requirements equal to the ones under the Community law;

3. the third country where the seat or branch of the depositary is located is not listed as a Non-cooperative Country or Territory on the list of the Financial Action Task Force;

4. there is a concluded bilateral or multilateral agreement between the Republic of Bulgaria, the Member State where the units or shares of the respective alternative investment fund will be marketed and the third country where the seat or branch of the depositary is located, in accordance with the standards established in Article 26 of the Model Tax Convention on Income and on Capital of the Organisation of Economic Cooperation and Development, which provides effective information exchange on

tax matters.

(4) The depositary is a person other than the alternative investment fund manager, other than the prime broker whose service will be employed to pursue the investment policy of a managed alternative investment fund, unless this person has separated organizationally and functionally the performance of its depositary functions from the processes and activities it performs as an investment intermediary and the conflicts of interest, which may arise, are properly identified, monitored, managed and disclosed to the investors of the alternative investment fund.

(5) The contract between the depositary and the alternative investment fund manager acting on behalf of an alternative investment fund shall provide for in detail the rights and obligations of the depositary, of the alternative investment fund and of the fund manager in accordance with Paragraph 1, including the rules of information exchange, the responsibilities of the parties, and the restrictions on their activities. Further requirements to the contract shall be set out in an ordinance.

(6) (Amended and supplemented, SG No. 95/2017, effective 1.01.2018) Replacement of the depositary and any amendment to the contract under Paragraph 5 shall be allowed after approval by the Commission by proposal of the Deputy Chairperson, and data and documents, as provided for in an ordinance, shall be attached to the application for issuance of an approval. The Deputy Chairperson shall come up with a decision according to the procedure under Article 203, Paragraphs 3 - 6. The Commission shall come up with a decision under Article 203, Paragraphs 3 - 6.

(7) Delegation of functions under Paragraph 1 by the depositary to a third party, as well as any subsequent sub-delegation of functions by this third party shall be allowed only for the functions under Paragraph 1, item 1 and provided the following conditions are met:

1. the delegation of functions is not done and does not result in avoidance of requirements to the depositary and its activities as set out in a law;

2. the delegation of functions to a third party shall be necessitated by objective reasons;

3. the depositary shall nominate the third party and shall subsequently review its selection and the performance of the functions delegated to this person with the required skill, care and diligence, applying good standards of professional practice in the best interest of the alternative investment funds it manages and of their investors, and of the market in general;

4. the contract with the third party shall contain provisions allowing the depositary to exercise at any time effective supervision over the activities of the third party in relation to the contract concluded, including to receive periodically or upon request information from this party;

5. the third party must have at its disposal organization, technical resources and qualified staff, given the nature and sophistication of the assets of the alternative investment fund or of the alternative investment fund manager acting on its behalf, to ensure the performance of the delegated functions in accordance with the requirements of this Act;

6. the activities of the third party in relation to safe-keeping of financial instruments shall be subject to effective regulation and supervision, including as regards the minimum capital requirements, as well as to periodic external audit in relation to the performance of these functions, unless the legislation of a third country requires that specific financial instruments should be safe-kept by a resident person, and there is no resident person meeting the stipulated requirements for delegation, provided that:

a) the investors in the alternative investment fund have been notified about the need of such delegation prior to making their investment, respectively prior to the delegation, if it comes after making of the investment; and

b) the delegation was done upon the instruction of an alternative investment fund, or of the alternative investment fund manager acting on its behalf;

7. the third party shall separate the assets the management of which was delegated to it from its own assets and from the depositary's assets with a view to indisputably ascertaining the title over these assets.

(8) Providing of services designated in Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems, hereinafter referred to as "Directive 98/26/EC" by the securities settlement systems designated for the purposes of the same Directive, or the provision of similar services by third-country securities settlement systems shall not be considered to be a delegation of functions under Paragraph 7.

(9) The depositary and any third party, to which functions are delegated under Paragraph 7, in performing of the functions under Paragraph 1 shall be obliged to act faithfully, with the due skills, care and diligence applying the good standards of professional practice, and independently, in the best interest of the alternative investment fund it manages and of the investors in it.

(10) The depositary and any third party to whom functions are delegated under Paragraph 7 may not perform activities for the alternative investment fund or for the alternative investment fund manager, which may generate a conflict of interest between the alternative investment fund, its manager, the investors in the fund and the depositary or the third party to whom depositary functions are delegated, unless the depositary or the third party to whom depositary functions are delegated under Paragraph 7 has segregated organizationally and functionally the performance of its depositary functions from the processes and activities it performs, and which are or possibly may be incompatible with these functions, and the conflicts of interest, which may arise, are properly identified, managed, monitored, and disclosed to the investors of the alternative investment fund.

(11) The depositary and any third party to which functions are delegated under Paragraph 7, may not use assets of the alternative investment fund without the consent of the alternative investment fund or of the alternative investment fund manager acting on its behalf, and also without notifying in advance the depositary by the third party to whom functions are delegated under Paragraph 7.

(12) The depositary shall be responsible to the alternative investment fund and to its investors for all damages suffered by them as a result of any default on the depositary's obligations, including due to incomplete, inaccurate and untimely performance, as well as to a loss of financial instruments safe-kept by it or by a third party to whom it has delegated depositary functions, where this is due to reasons for which the depositary is responsible, including for actions or omissions of a third party to whom the depositary has delegated functions. The alternative investment fund and the investors may hold the depositary liable directly or indirectly through the alternative investment fund manager depending on the nature of the legal relation between the depositary, the alternative investment fund, the alternative investment fund manager and the investors. The depositary shall not be held liable if it can prove that the loss is caused by an external event, which is outside of its control, the consequences of which would have been inevitable irrespective of any reasonable efforts for preventing them.

(13) In case of loss of financial instruments, the depositary shall immediately replace them with financial instruments of the same type and in the same quantity, or their cash equivalent.

(14) The depositary may be relieved from the liability for a loss of financial instruments kept by a third party under the conditions of Paragraph 7, provided the following conditions are met:

1. the requirements under Paragraph 7 for delegation of functions to a third party are met;

2. the depositary's responsibility has been transferred to the third party based on a written contract between the depositary and the third party, which provides for the third party's responsibility in line with Paragraph 12, which may be sought by the alternative investment fund or by the alternative investment fund manager which manages it directly or indirectly through the depositary;

3. the transfer of responsibility under item 2 is pursuant to a written contract between the depositary and the alternative investment fund, or the alternative investment fund manager, specifying the reasons for this transfer;

4. the following additional conditions are met, where the safe-keeping of the assets was delegated to a third party if the exception under Paragraph 7, item 6, was applied;

a) the statute, rules or other instruments of incorporation of the alternative investment fund explicitly provide for the possibility of releasing of the depositary from liability if the requirements of items 1 - 3 and letter "b" are complied with;

b) the investors in the alternative investment fund have been notified about the need of such delegation prior to making their investment, respectively prior to the delegation, if it comes after making of the investment;

(15) The depositary under Article 35, as well as any depositary having its seat or branch in the Republic of Bulgaria, shall provide to the Commission the full information in relation to the performance of its obligations which is needed for supervisory purposes by the Commission, or by the competent authorities of another Member State. The Commission shall provide to the competent authorities of the alternative investment fund, respectively of the alternative investment fund manager, if they differ, the information received in its capacity as a competent authority of the depositary of the respective alternative investment fund.

(16) Additional requirements in relation to the depositary, outside the ones set forth in Delegated Regulation (EU) No. 231/2013, shall be provided for in an ordinance.

Article 234. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 15/2018, effective 16.02.2018, SG No. 64/2020, effective 21.08.2020) The alternative investment fund manager shall notify the Commission about any acquisition or disposal of a holding in a company having its seat in a Member State, the shares of which are not listed for trading in a regulated market under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act and which is not a small or medium-sized enterprise, or a special purpose vehicle with the purpose of purchasing, holding or administrating real estate, as a result of which the voting right held by an alternative investment fund managed thereby reaches, exceeds or falls below 10, 20, 30 50 or 75 per cent of the votes in the general meeting of the company, within 10 business days from the acquisition or transfer of the holding.

(2) (Amended, SG No. 15/2018, effective 16.02.2018, SG No. 64/2020, effective 21.08.2020) An alternative investment fund manager, for each acquisition by an alternative investment fund managed by it independently or jointly based on an agreement with another alternative investment fund managed by it or by another person, including through a company controlled by such an alternative investment fund, or by a person acting for the account of such a company or the alternative investment fund, of control over a company having its seat in a Member State, the shares of which are listed for trading in a regulated market under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act, whereas the control shall be determined in accordance with the legislation of the home country of the respective company, or of more than 50 percent of the votes in the general meeting of the company, the shares of which are not listed for trading in such a market, and which is not a small or medium-sized enterprise or a special purpose vehicle with the purpose of purchasing, holding or administrating real estate, within 10 business days from the acquisition, shall notify:

1. the Commission;

2. the company, holding in which has been acquired;

3. the shareholders of the company, holding in which has been acquired, for the identification and address of which the alternative investment fund manager has information, or for which such information can be obtained from the company or from the register to which the alternative investment fund manager has or can obtain access.

(3) The notification under Paragraph 2 shall include information about:

1. the name of the manager(s) of alternative investment funds which have acquired independently or jointly the holding under Paragraph 2;

2. the policy of prevention and management of conflicts of interest, including between the alternative investment funds which have acquired the holding, the persons managing them, and the company, as well as information of the specific guarantees that each agreement between these persons is concluded under conditions of equality between them;

3. the policy of provision of information in relation to the company, including of its employees;

4. (amended, SG No. 15/2018, effective 16.02.2018) in case of acquisition of a holding in a company other than a company, the shares of which are accepted for trading in a regulated market under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act, additional information about:

a) the number of acquired voting rights and their share in the total number of voting rights, calculated based on all voting shares irrespective if exercising the voting right under part of the issued shares is limited;

b) the date of acquisition of the holding under Paragraph 2;

c) the conditions in compliance with which the interest was acquired, as well as data of the name, address, seat of shareholders - alternative investment funds, of the companies under their control, or persons acting for the account of such companies, the holding in which is included in the calculation of the total acquired holding under Paragraph 2, as well as the relevant data of any other person with a voting right on behalf of these persons and the chain of companies through which the voting right is exercised.

(4) In the notification under Paragraph 2 to the company, holding in which is acquired, the alternative investment fund manager shall require that its managing body provide in a timely manner to the representatives of its employees within the meaning of

Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community, hereinafter referred to as "Directive 2002/14/EC" or of the employees, if there are no such representatives, the information under Paragraph 2, and shall take the necessary steps to provide the relevant information.

(5) (Amended, SG No. 15/2018, effective 16.02.2018) Upon acquisition by an alternative investment fund of a holding under Paragraph 2 in a company whose shares are not listed for trading in a regulated market under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act, the alternative investment fund manager shall notify within the term under Paragraph 2 the Commission and the investors in the alternative investment fund, which has acquired such a holding, about the amount and conditions of financing of the investment made by that company.

(6) (Amended, SG No. 15/2018, effective 16.02.2018) Upon acquisition by an alternative investment fund of a holding under Paragraph 2 in a company whose shares are not listed for trading in a regulated market under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act, the alternative investment fund manager shall provide to the company and the shareholders under Paragraph 2, item 3, information about its plans of future activities of the company and their impact on the number of employees and the conditions of their employment contracts with the notification under Paragraph 2, and immediately upon any subsequent change in these plans, it shall require from the managing body of the company to provide such information in a timely manner to the representatives of its employees within the meaning of Directive 2002/14/EC, or to the employees, if there are no such representatives, and shall take the necessary steps to provide this information.

(7) Within a two-year term from the acquisition by an alternative investment fund managed thereby of a holding under Paragraph 2, the alternative investment fund manager shall have no right to assist, vote or give instructions, including in performance of the functions in the managing body of the company under Paragraph 2, and shall be obliged to take all necessary measures to prevent:

1. payment of dividend or any other payment in relation to the shares of the company under Paragraph 2, which exceeds in amount the profit subject to distribution and the portion of the company's funds that exceeds the minimum amount set in a law or in the statute, or after the payment of which the net value of the company's assets would fall below the amount of the own funds and funds, which the company is obliged to accumulate and maintain pursuant to a law or its statute;

2. any reduction of the capital of the company under Paragraph 2, except with the purpose of covering a loss or allocation of a reserve which shall not be subject to distribution and which shall not exceed 10 per cent of the reduced capital;

3. redemption or acquisition in another manner of own shares by the company under Paragraph 2, which would result in reduction of the net value of the company's assets below the amount of the own funds and funds, which the company is obliged to accumulate and maintain pursuant to a law or its statute.

(8) (Amended, SG No. 15/2018, effective 16.02.2018) Upon acquisition by an alternative investment fund managed thereby of a holding under Paragraph 2 in a company whose shares are not listed for trading in a regulated market under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act, the alternative investment fund manager shall require from the company’s managing body to submit the company’s annual financial statements, including information under Article 1, Paragraph 235, item 5, in a timely manner to the representatives of its employees within the meaning of Directive 2002/14/EC, or to the employees, if there are no such representatives, and shall take the necessary steps to provide this information. The alternative investment fund manager may refrain from pursuing the activities under the first sentence, if it has included in its annual report the information under Article 235, Paragraph 1, item 5, and in this case it shall require from the company’s managing body to provide the annual financial statements within the term under Article 235, Paragraph 1, to the representatives of its employees within the meaning of Directive 2002/14/EC, or to the employees, if there are no such representatives, and shall take the necessary steps to provide this information.

(9) The requirements under Paragraphs 1 - 8 shall not affect the implementation of the stricter requirements, provided in the applicable legislation, in relation to the acquisition of a holding in or control over companies under Paragraphs 1 and 2.

(10) (New, SG No. 64/2020, effective 21.08.2020) Within the meaning of this Article, a small and medium-sized enterprise is a enterprise which, according to the last annual or consolidated report, meets at least two of the following conditions:

1. an average number of employees during the financial year of less than 250;

2. total balance-sheet assets not exceeding the lev equivalent of EUR 43,000,000;

3. an annual net turnover not exceeding the lev equivalent of EUR 50,000,000.

Article 235. (New, SG No. 109/2013, effective 20.12.2013) (1) (Supplemented, SG No. 102/2019) The person managing alternative investment funds, for each of the alternative investment funds managed thereby established in a Member State, and for each of the alternative investment funds marketed by it in a Member State, shall submit to the Commission, and where appropriate, to the competent authority of the home Member State of the relevant alternative investment fund where that authority is different from the Commission, an annual report within 90 days from the end of the financial year, including:

1. audited annual financial statements and an auditor's report;

2. an annual report of activities;

3. a summary document of all changes in the information, provided to investors in accordance with Article 237, in the recent financial year;

4. information about the total amount and number of beneficiaries of remuneration in the financial year, indicating the fixed remuneration paid out, the variable remuneration accrued and paid out, the deferred variable remuneration, and the total amount of remuneration of the persons under Article 221, Paragraph 1, item 1 and of the remuneration of the persons under Article 221, Paragraph 1, item 4;

5. (amended, SG No. 15/2018, effective 16.02.2018) information about the companies, the shares of which are not listed for trading in a regulated market under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act, and in which the alternative investment fund has a holding under Article 234, Paragraph 1, containing:

a) a description of the activities of the respective company in the reporting period and its financial position at the end of the financial year;

b) important events that have occurred from the end of the financial year to the date of preparation of the report;

c) likely future development of the company;

d) number of own shares held directly or through another person.

(2) The financial statements under Paragraph 1, item 1, shall be prepared in accordance with the accounting standards applicable in the home Member State of the alternative investment fund, or in the third country in the case of an alternative investment fund from a third country, and with the accounting rules laid down in the statute, in the rules or in the other instruments of incorporation of the fund, and shall be audited by one or more persons having the legal powers for the purpose in the relevant country.

(3) (Supplemented, SG No. 102/2019) The annual report of an alternative investment fund, which discloses information in accordance with Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, hereinafter referred to as "Directive 2004/109/EC", shall further include also the information under Paragraph 1, which is not part of the annual report pursuant to the said directive, and shall be published on the website of the person managing the alternative investment fund within 4 months from the end of the financial year.

(4) Additional requirements in relation to the preparation, submission to the Commission and the disclosure of the annual report, outside the ones set forth in Delegated Regulation (EU) No. 231/2013, shall be provided for in an ordinance.

Article 236. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund manager shall be obliged to submit to the Commission within 10 days from the end of each quarter:

1. information about the main markets and instruments in which the alternative investment funds managed thereby invest, as well as about the principal exposures to one person or a group of persons and the concentration of investments by geographical or sectoral characteristics;

2. information about each alternative investment fund it manages and/or markets, including:

a) the share of assets of the alternative investment fund, which are subject to special treatment due to their low liquidity;

b) the applied new approaches of liquidity management;

c) (amended, SG No. 102/2019) the current risk profile of the alternative investment fund and the systems applied for management of the market risk, liquidity risk, counterparty risk and other risks, including the operational risk;

d) information of the main categories of assets in which the alternative investment fund has invested;

e) the results of stress tests conducted pursuant to Article 229, Paragraph 2, item 2 and Article 230, Paragraph 2;

3. information about any third-country alternative investment fund, which is managed by it or marketed in the territory of the European Union, which invests at a leverage level ensuring an exposure exceeding the triple value of its assets:

a) overall level of leverage;

b) information about the source of the employed leverage depending on wheather it arises from borrowing of cash or securities, or from employing derivative financial instruments;

c) identification of the five biggest lenders and the amount of the borrowings provided by each of them;

d) information about the reuse of assets under contracts with employment of leverage;

e) additional information and evidence substantiating the compliance with the restrictions set forth in Article 229, Paragraph 2, item 3.

(2) The Commission may require the submission of additional information needed for monitoring systemic risk, for which it shall notify ESMA.

(3) The Commission shall establish, based on the information under Paragraphs 1 and 2, the effect of the leverage employed on the systemic risk in the financial system, the stability of the market and the long-term economic development, and where increased risk for the financial system and market stability is found out, it may impose restrictions on the use of leverage or other restrictions regarding the management of alternative investment funds pursuant to Article 264. The Commission shall notify ESMA, the European Systemic Risk Board and the competent authorities responsible for the supervision of alternative investment funds about the planned measures, the grounds for their implementation and the initial term of their effect, within 10 business days prior to the implementation of the measures under the first sentence or the extension of their effect, unless the circumstances necessitate the adoption of the measures within a shorter term.

(4) Provided ESMA submits an opinion on the measures under Paragraph 3, or an opinion based on any other received information of adoption of measures which the Commission should adopt in relation to risks for the financial system found out, including in relation to imposing of restrictions on the use of leverage, and the Commission deviates from this opinion, it shall immediately notify ESMA to this effect, and shall specify the reasons for the deviation from the provided opinion.

(5) Additional requirements in relation to the application of paras 1 - 4, outside the ones set forth in Delegated Regulation (EU) No. 231/2013, shall be provided for in an ordinance.

Article 237. (New, SG No. 109/2013, effective 20.12.2013) (1) (Supplemented, SG No. 102/2019) An alternative investment fund manager shall submit to the investors for each alternative investment fund managed thereby, established in a Member State, and for each alternative investment fund in a Member State it markets in a manner set out in the statute, in the rules or in the other instruments of incorporation of the fund, the following information prior to making the investment and all subsequent changes therein, as well as upon request:

1. information about the alternative investment fund, including:

a) description of its investment strategy and objectives;

b) place of establishment of each master alternative investment fund and of the underlying funds, if the alternative investment fund is a fund investing in funds;

c) types of assets in which the fund may invest, investment restrictions and techniques it may employ and all risks associated with them;

d) (supplemented, SG No. 102/2019) the conditions of the use of leverage, its maximum allowable amount, the types and

sources of leverage permitted and of the risks associated with them, any restrictions on the use of leverage and the conditions of reuse of any collateral and assets, as well as any provided guarantee in accordance with the agreed conditions of leverage use;

2. the conditions and procedures for making amendments to the investment strategy and/or investment policy of the fund;

3. name or company name and seat and address of the alternative investment fund manager, the depositary, auditor and any other persons providing services to the fund, and a description of their duties and the investors' rights;

4. a description of the main legal implications of the contractual relationships entered into in relation to investment, including information on the competent jurisdiction, the applicable law and on the existence or not of any legal instruments providing for the recognition and enforcement of court judgments in the territory where the alternative investment fund is established;

5. a description of how the alternative investment fund manager ensures compliance with the requirements of Article 199, Paragraph 9;

6. a description of all functions delegated by the manager of the alternative investment fund and by its depositary, name and seat of the persons to whom such functions are delegated, and any possible conflicts of interest that may arise from such delegation;

7. the rules of valuation of the assets of the alternative investment fund under Article 232, including the methods used for valuing hard-to-value assets;

8. a description of the rules of liquidity management;

9. the conditions and procedure for the issue and sale of units or shares of the alternative investment fund;

10. the conditions and procedure for redemption including in exceptional circumstances, and the existing redemption arrangements with investors;

11. information of the type and amount of all fees, commissions and expenses which are directly or indirectly borne by investors;

12. information of the rules for ensuring fair treatment of investors and the possibilities for preferential treatment of certain investors or categories of investors, and their relations with the alternative investment fund or its manager;

13. the annual report under Article 235 and historical information of the financial results of the fund;

14. the net asset value or the latest market price per unit or share of the alternative investment fund, in accordance with Article 232;

15. name and seat of the prime broker and a description of the material arrangements in the contracts with such brokers and the way the conflicts of interest are managed, as well as the provisions in the contract with the depositary on the possibility of transfer and reuse of the assets of the fund, and of any possible transfer of liability to the prime broker;

16. existence of any possibilities for releasing of the depositary from liability pursuant to Article 233, Paragraph 14;

17. the procedure and terms of disclosure of the information under Paragraph 3.

(2) Alternative investment funds, which have the obligation to publish a prospectus, shall include the information under Paragraph 1 separately or as additional information in the prospectus.

(3) For each alternative investment fund managed and/or marketed under Paragraph 1, the alternative investment fund manager shall be obliged to provide to investors in a manner set forth in the statute, in the rules or in the other instruments of incorporation of the fund, within the 10th day from the end of each quarter:

1. the information under Article 236, Paragraph 1, item 2, letters "a" - "c";

2. for an alternative investment fund employing leverage - also information about the overall level of leverage, all changes to the maximum level of leverage used, as well as any right to reuse of collateral, which may be provided in relation to investment positions with use of leverage.

(4) Additional requirements in relation to the content and manner of provision of the information under Paragraphs 1 - 3, outside the ones set forth in Delegated Regulation (EU) No. 231/2013, shall be provided for in an ordinance.

(5) (New, SG No. 16/2022) Regarding all marketing communications to investors, the manager of an alternative investment fund, including a venture capital fund, a social entrepreneurship fund or a long-term investment fund, shall comply with the requirements of Article 4, Paragraphs 1 – 5 of Regulation (EU) 2019/1156 and the ESMA guidelines on the application of Article 4, Paragraphs 1 — 5 of that Regulation for which the Commission has taken a decision on their application according to Article 13, Paragraph 1, item 26 of the Financial Supervision Commission Act.

Article 238. (New, SG No. 109/2013, effective 20.12.2013) (1) A person under Article 195, Paragraph 2, item 1, which cannot ensure the compliance with the requirements of this chapter by the alternative investment fund managed by it, or by any other person acting on its behalf, shall immediately notify to this effect the Commission and the competent authority of the respective alternative investment fund, where this authority is other than the Commission, and shall submit the measures it will pursue to comply with these requirements, and the terms for their implementation.

(2) The person under Paragraph 1 shall discontinue the management and/or marketing of the alternative investment fund, if the measures under Paragraph 1 are not implemented within the terms specified in the notification under Paragraph 1, or if irrespective of their implementation the compliance with the requirements under this chapter is not ensured. The Commission shall notify the competent authorities of the host Member States about the circumstance under the first sentence.

Section III

(New, SG No. 16/2022)
Pre-marketing on the territory of the Republic of Bulgaria

Article 238a. (New, SG No. 16/2022) (1) For the purposes of Title Two, Part Three "pre-marketing" is the provision of information or communication, directly or indirectly, in connection with investment strategies or investment ideas, by a person under Article 238b, Paragraph 1 or on its behalf to potential professional investors who have a domicile, a branch or a registered office in the Republic of Bulgaria, in order to verify their interest in respect of a certain alternative investment fund or sub-fund, which have not yet been established or which have been established, but no notification has been received of their marketing on the territory of the Republic of Bulgaria under Articles 239, 245 and 249, and where such pre-marketing does not constitute marketing or placement for the purposes of investing in the units or shares of such an alternative investment fund or its sub-fund.

(2) Pre-marketing on the territory of the Republic of Bulgaria by a third party, acting on behalf of a person under Article 238b, Paragraph 1 under the conditions of Articles 238b and 238c may only be carried out by an alternative investment fund manager, management company, investment firm or credit institution licensed or authorised to pursue business by the competent authorities of a Member State, or where such a person acts as a tied agent within the meaning of Article 33, Paragraph 1 of the Markets in Financial Instruments Act.

Article 238b. (New, SG No. 16/2022) (1) A manager of alternative investment funds originating in the Republic of Bulgaria, licensed by the Commission to pursue business under this Act, or a manager of alternative investment funds originating in another Member State, authorised by the competent authority of the home Member State, may carry out pre-marketing on the territory of the Republic of Bulgaria, except where the information provided by them to potential professional investors:

1. is sufficient to allow investors to commit to acquiring units or shares of a particular alternative fund;

2. amounts to subscription forms or similar documents whether in a draft or a final form;

3. amounts to a statute or any other constitutional document, a prospectus or offering documents of an alternative investment fund, not-yet-established, in the final form of the specified documents.

(2) Where the persons referred to in Paragraph 1 provide a draft prospectus or offering documents, they shall not contain information sufficient to allow potential professional investors to take an investment decision. The persons referred to in Paragraph 1 shall state clearly in their documents referred to in sentence one that they do not constitute an offer or an invitation to subscribe to units or shares of an alternative investment fund and the information presented therein should not be relied upon because it is incomplete and may be subject to change.

(3) In the cases of pre-marketing on the territory of the Republic of Bulgaria the persons under Paragraph 1 shall not notify the Commission of the content of the pre-marketing and of the potential professional investors to whom it is addressed.

(4) The persons under Paragraph 1 shall ensure that pre-marketing is adequately documented in a manner allowing the Commission to receive the information required for the performance of its supervisory functions under this Act.

Article 238c. (New, SG No. 16/2022) (1) The persons under Article 238b, Paragraph 1 shall take all measures to prevent the subscription by the investors to whom pre-marketing of units or shares was made by an alternative investment fund for which information has been submitted in the course of pre-marketing.

(2) The prohibition under Paragraph 1 shall not apply when the investors to whom pre-marketing has been made acquire units or shares in an alternative investment fund for which a notification of its marketing on the territory of the Republic of Bulgaria has been received in accordance with the procedures set out in Articles 239, 245 and 249.

(3) Any subscription of units or shares by professional investors, within 18 months of the start of pre-marketing of an alternative investment fund identified in the information provided in the course of the pre-marketing or by an alternative investment fund established as a result of the pre-marketing made by a person referred to in Article 238b, Paragraph 1 shall be considered to be the result of pre-marketing and shall be subject to the applicable notification procedures referred to in Articles 239, 245 and 249.

Article 238d. (New, SG No. 16/2022) (1) In the case of pre-marketing in the territory of the Republic of Bulgaria, the persons referred to in Article 238b, Paragraph 1 shall, within two weeks of its initiation, submit a notification to the Commission, without any prior form, in paper or electronic form, or by e-mail.

(2) The notification under Paragraph 1 shall state that pre-marketing has been made in the territory of the Republic of Bulgaria, the period in which it is being made or has been made, a brief description of the pre-marketing, including information on the submitted investment strategies and, where applicable, a list of alternative investment funds and sub-funds that are or have been the subject of pre-marketing.

(3) The requirements of Paragraph 1 shall also apply in the case of pre-marketing made in the territory of another Member State by a person referred to in Article 238b, Paragraph 1 who has obtained a licence to pursue business by the Commission. In these cases the Commission shall notify immediately the relevant competent authority of the host Member State. Upon request, the Commission shall provide the competent authorities referred to in the second sentence with additional information on the pre-marketing which is being made or has been made in the territory of that Member State.

Article 238e. (New, SG No. 16/2022) (1) The persons managing venture capital funds shall comply with the requirements of Article 4a of Regulation (EU) № 345/2013 regarding pre-marketing in the territory of the Republic of Bulgaria.

(2) The persons managing social entrepreneurship funds shall comply with the requirements of Article 4a of Regulation (EU) № 346/2013 regarding pre-marketing in the territory of the Republic of Bulgaria.

Chapter Twenty Two

(New, SG No. 109/2013, effective 20.12.2013)
MANAGEMENT AND MARKETING OF ALTERNATIVE INVESTMENT FUNDS

Section I
(New, SG No. 109/2013, effective 20.12.2013)
Management and marketing of alternative investment funds in the territory of the Republic of Bulgaria by an alternative investment fund manager originating in the Republic of Bulgaria

Article 239. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 95/2017, effective 1.01.2018) An alternative investment fund manager originating in the Republic of Bulgaria may manage an alternative investment fund established in the Republic of Bulgaria and market in the territory of the Republic of Bulgaria units or shares of an alternative investment fund established in the Republic of Bulgaria or in another Member State, after it has made a notification to the Commission, attached to which there shall be:

1. data of the name, the home Member State and the address of the alternative investment fund;

2. the statute, rules and the other instruments of incorporation of the alternative investment fund;

3. data of the name, the Member State of licensing or registration, respectively the country of establishment of the master alternative investment fund; and the address of the master alternative investment fund in the cases of a feeder alternative investment fund;

4. data of the name, the Member State where the seat or branch of the depositary is located, depositary's address and the contract therewith;

5. the information under Article 237, Paragraph 1 and any other information provided to the investors;

6. information about the measures to prevent marketing of units or shares of the alternative investment fund to non-professional investors, including where the alternative investment fund manager employs the services of third parties for the services provided to the fund.

(2) Where the marketed alternative investment fund is a feeder alternative investment fund, a person under Paragraph 1 having its seat in the Republic of Bulgaria may do the marketing under Paragraph 1 only provided the master alternative investment fund is originating in a Member State and is managed by a manager managing alternative investment funds originating in a Member State.

(3) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson shall come up with a decision on the notification under Paragraph 1 within 20 business days from its receipt and the submission of all data and documents under Paragraph 1, applying, accordingly Article 203, Paragraphs 3 - 6.

(4) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission may issue a prohibition of the planned management and marketing, if based on the data and documents submitted it cannot be established that the management of the alternative investment fund is performed and will be performed in accordance with the requirements of this Act or that the activity of the alternative investment fund manager is performed and will be performed in accordance with these requirements.

(5) (Amended, SG No. 95/2017, effective 1.01.2018) In case the Commission does not issue a prohibition pursuant to Paragraph 4, the alternative investment fund manager may start managing and/or marketing units or shares of the alternative investment fund from the date of receipt of the decision under Paragraph 3. The Commission shall send the decision under the first sentence to the competent authorities of the alternative investment fund originating in another Member State, which will be marketed in the territory of the Republic of Bulgaria. Where the alternative investment fund manager is a person having its seat in a third country, for which the Republic of Bulgaria is a home Member State, the Commission shall also provide the decision under the first sentence to ESMA.

(6) (Amended, SG No. 95/2017, effective 1.01.2018) The alternative investment fund manager shall notify the Commission about any material change in the data and documents under Paragraph 1 at least one month prior to making the change, and where an unscheduled change occurs – within one day after its occurrence.

(7) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson may prohibit making a scheduled change within a 14-day term from the receipt of the notification under Paragraph 6, applying Paragraph 4 accordingly.

(8) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson may prohibit an alternative investment fund manager to market units or shares of an alternative investment fund, if the scheduled change under Paragraph 6 is made in spite of the prohibition issued under Paragraph 7, or upon the occurrence of an unscheduled change, as a result of which the management of the alternative investment fund or the activity of the alternative investment fund manager no longer meets the requirements of this Act.

Article 240. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 95/2017, effective 1.01.2018) An alternative investment fund manager originating in the Republic of Bulgaria may market in the territory of the Republic of Bulgaria units or shares of an alternative investment fund established in a third country and a feeder alternative investment fund established in a Member State, which does not meet the requirements under Article 239, Paragraph 2, after it has made a notification to the Commission, if the following conditions have been met:

1. the alternative investment fund manager meets all the requirements of this Act;

2. there are appropriate cooperation arrangements in place between the Commission and the competent authorities of the country where the alternative investment fund is established, which provide effective information exchange with a view to the performance by the Commission of its supervision powers;

3. the third country where the alternative investment fund is established is not listed as a Non-cooperative Country or Territory on the list of the Financial Action Task Force;

4. there is a concluded agreement between the Republic of Bulgaria, the third country where the alternative investment fund is established and any other Member State where units or shares of the respective alternative investment fund will be marketed, in accordance with the standards established in Article 26 of the Model Tax Convention on Income and on Capital of the Organisation of Economic Cooperation and Development, which provides effective information exchange on tax matters.

(2) (Amended, SG No. 102/2019) Provided the person under Paragraph 1 is a person managing alternative investment funds and has its seat in a third country for which the Republic of Bulgaria is defined as the Member State of reference, in addition to the conditions under Paragraph 1, the following conditions shall also be met:

1. there are appropriate cooperation arrangements in place between the Commission and the competent authorities of the country where the alternative investment fund manager has its seat, which provide efficient information exchange with a view to the performance by the Commission its of supervision powers;

2. the third country, where the alternative investment fund manager has its seat, is not listed as a Non-cooperative Country or Territory on the list of the Financial Action Task Force.

(3) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson shall come up with a decision on the notification filed applying Article 239, Paragraphs 1, 3, 4 and 5, first sentence, accordingly. The Commission shall also provide to ESMA the decision by which he/she permits the marketing under Paragraph 1.

(4) (Amended, SG No. 95/2017, effective 1.01.2018) In case of any material change in the data and documents submitted with the notification under Paragraph 1, Article 239, Paragraphs 6 - 8 shall apply, accordingly. In case of termination of marketing of units or shares of particular alternative investment funds, or marketing of units or shares of additional alternative investment funds by a person under Paragraph 2, and if the Commission has not issued the prohibition under Article 239, Paragraphs 7 or 8, the Commission shall notify ESMA about the change.

Article 241. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund manager having its seat in the Republic of Bulgaria may market in the territory of the Republic of Bulgaria units or shares of an alternative investment fund managed thereby established in a third country and without meeting the requirements under Article 240, if the following conditions have been met:

1. in the management of the alternative investment fund, the alternative investment fund manager meets all the requirements of this Act with the exception of Article 233;

2. the alternative investment fund manager has ensured the performance of the functions under Article 233, Paragraph 1 by one or more third parties, and has provided to the Commission information about their names and seats;

3. there are appropriate cooperation arrangements in place in line with the international standards for the purposes of systemic risk monitoring between the Commission and the competent authorities of the country where the alternative investment fund is established, which provide effective information exchange with a view to the performance by the Commission of its supervision powers;

4. the third country where the alternative investment fund is established, and if there are no licensing or registration requirements - where it has its seat, is not listed as a Non-cooperative Country or Territory on the list of the Financial Action Task Force.

(2) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson shall issue an authorisation for doing the marketing under Paragraph 1, applying Article 203, Paragraphs 3 - 6 accordingly.

(3) Additional requirements in relation to the marketing under Paragraph 1 may be set forth in an ordinance.

Article 242. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 15/2018, effective 16.02.2018) An

alternative investment fund manager originating in the Republic of Bulgaria may market units or shares of an alternative investment fund in the territory of the Republic of Bulgaria only to professional investors within the meaning of § 1, item 10 of the Additional Provisions of the Markets in Financial Instruments Act.

(2) (Amended, SG No. 15/2018, effective 16.02.2018) The person under Paragraph 1 may market to non- professional investors within the meaning of § 1, item 11 of the Additional Provisions of the Markets in Financial Instruments Act, in the territory of the Republic of Bulgaria only units or shares of a sovereign wealth fund under Article 171 in compliance with the requirements under Part Three, Title One.

Section II

(New, SG No. 109/2013, effective 20.12.2013)
Management of alternative investment funds from a third country by an alternative investment fund manager originating in the Republic of Bulgaria

Article 243. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund manager having its seat in the Republic of Bulgaria may manage an alternative investment fund established in a third country without marketing it in the territory of a Member State, if the following conditions are met:

1. in managing the alternative investment fund, the alternative investment fund manager meets all requirements of this Act, with the exception of Articles 233 and 235;

2. there are appropriate cooperation arrangements in place between the Commission and the competent authorities of the country where the respective alternative investment fund is established, which provide effective information exchange with a view to the performance by the Commission of its supervision powers.

(2) (Amended, SG No. 102/2019) Prior to commencement of the management of an alternative investment fund under Paragraph 1, the alternative investment fund manager having its seat in the Republic of Bulgaria, shall submit to the Commission the data and documents under Article 201, Paragraph 2, item 2. The person under the first sentence may commence the management of the alternative investment fund under Paragraph 1, provided that the Commission does not issue a prohibition on a proposal by the Deputy Chairperson. Article 239, Paragraphs 3 – 8 shall apply accordingly.

Section III

(New, SG No. 109/2013, effective 20.12.2013)
Management and marketing of alternative investment funds in the territory of another Member State by an alternative investment fund manager originating in the Republic of Bulgaria

Article 244. (New, SG No. 109/2013, effective 20.12.2013) (1) (Supplemented, SG No. 42/2016, amended, SG No. 95/2017, effective 1.01.2018) An alternative investment fund manager originating in the Republic of Bulgaria may manage an alternative investment fund established in another Member State and provide the services set out in Article 198, Paragraph 5 directly or by opening a branch, provided that according to the licence issued to it the alternative investment fund manager has the right to manage the respective type of alternative investment funds, after submission of a notification to the Commission before the person manages for the first time an alternative investment fund in the territory of the respective other Member State. All branches established in another Member State shall be treated as one branch.

(2) The following shall be attached to the notification under Paragraph 1:

1. data of the host Member State;

2. an activity programme, including information about the type of services which the alternative investment fund manager will perform in the host Member State;

3. information about the name and address of the alternative investment funds, which the alternative investment fund manager intends to manage in the host Member State;

4. where the alternative investment fund manager intends to open a branch, the following additional information shall be

submitted:

a) the organisational structure of the branch;

b) the address of the alternative investment funds in their home Member State;

c) names and data of the persons responsible for the management of the branch;

(3) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson shall provide to the relevant competent authority of the host Member State the information under Paragraph 2 within one month from its receipt, or within two months from its receipt, respectively, where the alternative investment fund manager intends to open a branch in the territory of the host Member State in which it will manage alternative investment funds, and where additional information and documents are requested - within one month from the receipt thereof. By providing the information under the first sentence, the Commission confirms that the alternative investment fund manager is licensed by the Commission. The Commission shall immediately inform the person under Paragraph 1 of the provision of the information under the first sentence. Provided the alternative investment fund manager is a person from a third country, for which the Republic of Bulgaria is a home Member State, the Commission shall inform ESMA about the provision of the information under the first sentence.

(4) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson, within the term under Paragraph 3, may refuse to provide the information under Paragraph 3, if based on the provided data and documents it cannot be established that the management of the alternative investment fund is performed and will be performed in accordance with the requirements of this Act, or that the activity of the alternative investment fund manager is performed or will be performed in line with these requirements.

(5) (Amended, SG No. 95/2017, effective 1.01.2018) In case the Commission does not issue a refusal pursuant to Paragraph 4, the alternative investment fund manager may start managing the alternative investment fund in the host Member State from the date of sending of the information under Paragraph 2.

(6) (Amended, SG No. 95/2017, effective 1.01.2018, SG No. 16/2022) The alternative investment fund manager shall notify the Commission about any material change in the data and documents under Paragraph 2 at least one month prior to making the change, and where an unscheduled change occurs – within one day after its occurrence. In case the Commission has not issued the prohibition under Paragraph 7 or has not imposed the measures under Paragraph 8, the Commission shall notify the competent authority of the host Member State.

(7) (New, SG No. 16/2022) The Commission, on a proposal from the Deputy Chairperson, may issue a prohibition for making a planned change within 15 business days of receiving the notification under Paragraph 6, if on the basis of the submitted data and documents it cannot be established that the management of the alternative investment fund is carried out and will be carried out in accordance with the requirements of this Act or the activity of the person managing alternative investment funds is carried out and will be carried out carried out in accordance with these requirements.

(8) (New, SG No. 16/2022) The Commission, on a proposal from the Deputy Chairperson, may apply the relevant measures under this Act, if a planned change under Paragraph 6 is carried out despite a prohibition issued under Paragraph 7 or in case of unplanned change as a result of which the management of the alternative investment fund or the activity of the manager of the alternative investment funds ceases to meet the requirements of this Act. The Commission shall communicate the changes referred to in sentence one to the relevant competent authority of the host Member State.

(9) (New, SG No. 16/2022) If the changes referred to in Paragraph 6 are without prejudice to the conformity of the management of the alternative investment fund or the activity of the alternative investment fund manager with the requirements of this Act, the Commission shall, within one month of the notification referred to in Paragraph 6, notify the relevant competent authority of the host Member State of such changes.

Article 245. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 95/2017, effective 1.01.2018) An alternative investment fund manager originating in the Republic of Bulgaria may market units or shares of an alternative investment fund established in the Republic of Bulgaria or in another Member State, in the territory of another Member State, after submission of a notification to the Commission, to which the following shall be attached:

1. data of the host Member State;

2. information about the name, Member State in which the alternative investment fund is established, and the address of the

alternative investment funds, which the person intends to market;

3. the statute, rules and other instruments of incorporation of the alternative investment fund;

4. information about the name, place of establishment of the master alternative investment fund in the cases of a feeder alternative investment fund;

5. information about the name, Member State in which the seat or branch of the depositary are located, and the address of the depositary;

6. the information under Article 237, Paragraph 1, and any other information provided to investors;

7. information about the measures for marketing of the units or shares of the alternative investment fund, as well as the measures to prevent marketing to non-professional investors, including where the alternative investment fund manager employs the services of third parties for the services provided to the fund;

8. (new, SG No. 16/2022) the address, as well as the other information necessary for the issuance of an invoice or for the communication of the applicable regulatory fees of the competent authority of the host Member State;

9. (new, SG No. 16/2022) information about the measures under Article 247a, Paragraph 1.

(2) Where the marketed alternative investment fund is a feeder alternative investment fund, a person under Paragraph 1 having its seat in the Republic of Bulgaria may do the marketing under Paragraph 1 only provided the master alternative investment fund is established in a Member State and is managed by a manager managing alternative investment funds originating in a Member State.

(3) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson shall provide to the respective competent authority of the host Member State the notification and the information under Paragraph 1 within 20 business days from its receipt and the submission of all data and documents under Paragraph 1. With the submission of the information under the first sentence, the Commission confirms that the alternative investment fund manager is licensed by the Commission and that its licence includes management of alternative investment funds with the respective investment strategy. The Commission shall immediately inform the person under Paragraph 1 of the provision of the information under the first sentence. Provided the subject of marketing is an alternative investment fund established in another Member State, the Commission shall notify its competent authority that the alternative investment fund manager may start marketing units or shares of this fund in the territory of the host Member State. Provided the alternative investment fund manager is a person having its seat in a third country for which the Republic of Bulgaria is a home Member State, the Commission shall inform ESMA that that alternative investment fund manager may start marketing units or shares of this fund in the territory of the host Member State.

(4) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson, within the term under Paragraph 3, may refuse to provide the information under Paragraph 3, if based on the provided data and documents it cannot be established that the management of the alternative investment fund is performed and will be performed in accordance with the requirements of this Act, or that the activity of the alternative investment fund manager is performed or will be performed in line with these requirements.

(5) (Amended, SG No. 95/2017, effective 1.01.2018) In case the Commission does not issue a refusal pursuant to Paragraph 4, the alternative investment fund manager may start marketing the alternative investment fund in the host Member State from the date of sending of the information under Paragraph 3.

(6) (Amended, SG No. 95/2017, effective 1.01.2018, SG No. 16/2022) The alternative investment fund manager shall notify the Commission about any material change in the data and documents under Paragraph 1 at least one month prior to making the change, and where an unscheduled change occurs – within one day after its occurrence. In case the Commission has not issued the prohibition under Paragraphs 7 or 8, the Commission shall notify the competent authority of the host Member State about the change. In case of termination of marketing of units or shares of additional alternative investment funds by a person having its seat in a third country, and if the Commission has not issued a prohibition under paragraphs 7 or 8, the Deputy Chairperson shall also notify ESMA about the change.

(7) (New, SG No. 16/2022) The Commission, on a proposal from the Deputy Chairperson, may issue a prohibition for making a planned change within 15 business days of receiving the notification under Paragraph 6, if on the basis of the submitted data

and documents it cannot be established that the management of the alternative investment fund is carried out and will be carried out in accordance with the requirements of this Act or the activity of the alternative investment fund manager is carried out and will be carried out carried out in accordance with these requirements. In this case the Commission shall notify immediately the relevant competent authority of the host Member State.

(8) (New, SG No. 16/2022) The Commission, on a proposal from the Deputy Chairperson, shall apply the relevant measures under this Act, including to prohibit an alternative investment fund manager from marketing units or shares of an alternative investment fund, if a planned change under Paragraph 6 is carried out despite a prohibition issued under Paragraph 7 or in case of unplanned change, as a result of which the management of the alternative investment fund or the activity of the alternative investment fund manager ceases to meet the requirements of this Act. The Commission shall immediately notify the changes referred to in sentence one to the relevant competent authority of the host Member State.

(9) (New, SG No. 16/2022) If the changes referred to in Paragraph 6 are without prejudice to the conformity of the management of the alternative investment fund or the activity of the alternative investment fund manager with the requirements of this Act, the Commission shall, within one month of the notification referred to in Paragraph 6, notify the relevant competent authority of the host Member State of such changes.

(10) (Renumbered from Paragraph 7, amended, SG No. 16/2022) The Submission of the information under Paragraphs 1 – 9 shall be done in English.

Article 246. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 95/2017, effective 1.01.2018) An alternative investment fund manager originating in the Republic of Bulgaria may market in the territory of another Member State units or shares of an alternative investment fund established in a third country and of a feeder alternative investment fund established in a Member State, which does not meet the requirements under Article 245, Paragraph 2, after submission of a notification to the Commission under Article 245, Paragraph 1, provided the conditions under Article 240, Paragraph 1 have been met.

(2) (Amended, SG No. 102/2019) Provided the person under Paragraph 1 is an alternative investment fund manager having its seat in a third country for which the Republic of Bulgaria is a home Member State, in addition to the provisions under Paragraph 1, the provisions under Article 240, Paragraph 2 should also be met.

(3) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission shall consider the notification filed, applying accordingly Article 245, Paragraph 1, Paragraph 3 sentences one and two, and paras 4 and 5. The Commission shall inform ESMA that the alternative investment fund manager may start marketing units or shares of this alternative investment fund in the territory of the host Member State.

(4) (Amended, SG No. 95/2017, effective 1.01.2018) In case of any material change in the data and documents submitted with the notification under Paragraph 1, Article 239, Paragraphs 6 – 8 shall apply accordingly. In case of termination of marketing of units or shares of particular alternative investment funds, or marketing of units or shares of additional alternative investment funds by a person under Paragraph 1, and if the Commission has not issued a prohibition under Article 239, Paragraphs 7 or 8, the Commission shall notify ESMA and the competent authorities of the Member States about the change.

(5) The Submission of the information under Paragraphs 1 - 4 shall be done in English.

Article 247. (New, SG No. 109/2013, effective 20.12.2013, amended, SG No. 15/2018, effective 16.02.2018) The marketing of units or shares to alternative investment funds in accordance with this section shall refer only to professional investors within the meaning of § 1, item 10 of the Additional Provisions of the Markets in Financial Instruments Act, unless a competent authority of a host Member State permits pursuing such marketing also to non-professional investors within the meaning of § 1, item 11 of the Additional Provisions of the Markets in Financial Instruments Act.

Article 247a. (New, SG No. 16/2022) (1) A manager of alternative investment funds originating in the Republic of Bulgaria, when marketing units or shares of an alternative investment fund to non-professional investors in the territory of another Member State, shall take the necessary measures to ensure:

1. the processing of subscription, redemption orders and making other payments to the investors in units in accordance with the conditions laid down in the documents required under Article 237, Paragraph 1;

2. the provision of information to investors on how to submit orders under item 1 and receive redemption amounts;

3. facilitation of the exercise of the rights of investors and access to the information under Article 237, Paragraph 1 and any other information provided to investors in relation to such rights;

4. access of the investors to the information and documents required under Articles 235 and 237 for the purposes of acquainting with them or receiving copies thereof;

5. provision on a durable medium of the information under items 1 - 4 to the investors;

6. a contact person for communication with the competent authority of the host Member State.

(2) The person under Paragraph 1 may implement the measures referred to in Paragraph 1 by entrusting them to a third party or otherwise, without physical presence, in the territory of the Republic of Bulgaria.

(3) The person under Paragraph 1 shall ensure the implementation of the measures under Paragraph 1 in the official language or in one of the official languages of the host Member State, or in a language approved by the competent authorities of that Member State, directly and/or by entrusting it to a third party designated thereby, including through the use of electronic means. The implementation of the measures referred to in paragraph 1 may be entrusted to a third party if the following conditions are met:

1. the third party shall be subject to supervision in respect of the implementation of the measures referred to in Paragraph 1, entrusted to it by the person under Paragraph 1;

2. a written contract has been concluded between the person under Paragraph 1 and the third party, setting out which measures under Paragraph 1 shall not be implemented directly by the person under Paragraph 1 and the obligation of the person under Paragraph 1 to provide all the necessary information and documents to the third party for implementation of the measures under Paragraph 1.

(4) In the cases of Article 26 of Regulation (EU) 2015/760 the persons under Paragraph 1 shall apply Article 5 of Commission Delegated Regulation (EU) 2018/480 of 4 December 2017 supplementing Regulation (EU) 2015/760 of the European Parliament and of the Council with regard to regulatory technical standards on financial derivative instruments solely serving hedging purposes, sufficient length of the life of the European long-term investment funds, assessment criteria for the market for potential buyers and valuation of the assets to be divested, and the types and characteristics of the facilities available to retail investors (OJ, L 81/1 of 23 March 2018).

Article 247b. (New, SG No. 16/2022) (1) A person managing alternative investment funds originating in the Republic of Bulgaria may withdraw the notification of marketing in the territory of another Member State of units or shares of some or all of the alternative investment funds notified under Article 245, Paragraph 1, if the following conditions are met:

1. a blanket call for redemption of all units or shares of some or all alternative investment funds, free of any charges or deductions, is made public at least 30 business prior, directly or through financial intermediaries, to all investors in the territory of the Member State concerned whose identity is known and for which the notification of marketing is withdrawn;

2. the intention to terminate the marketing of units or shares of some or all alternative investment funds in the territory of the Member State is made public through publicly available means, which are usually used in the marketing of units of alternative investment funds, including electronically;

3. all contracts with financial intermediaries or third parties entrusted with functions are amended or terminated from the date of withdrawal of the notification of marketing in order to prevent new or subsequent, direct or indirect, marketing or sale of the units referred to in the notification under Article 247c.

(2) The requirements under Paragraph 1, item 1 shall not apply to managers of closed-end alternative investment funds and to funds under Regulation (EU) 2015/760.

(3) The person under Paragraph 1 shall terminate any subsequent marketing or sale of its units or shares of the managed alternative investment fund, for which the notification of marketing has been withdrawn, as of the date of withdrawal of the notification.

(4) For a period of 36 months, as of the date of withdrawal of the notification of marketing, the person under Paragraph 1 may not carry out pre-marketing within the meaning of Article 238a in the territory of another Member State for which the notification under Article 247c, Paragraph 1 has been submitted, in respect of the units or shares of some or all alternative

investment funds specified in the notification under Article 247c, Paragraph 1, or in respect of other similar investment ideas or investment strategies.

(5) The person under Paragraph 1 who ceases to market the units or shares of the managed alternative investment fund in the territory of another Member State, shall continue to provide the investors who have retained their investment and the competent authority of the host Member State with the information required under Articles 235 and 237.

(6) In the cases referred to in Paragraph 5, the person under Paragraph 1 may use any electronic or other means of distant communication.

Article 247c. (New, SG No. 16/2022) (1) The person under Article 247b, Paragraph 1 shall send a notification to the Commission with the information referred to in Article 247b, Paragraph 1.

(2) The Commission shall check whether the notification under Paragraph 1 is complete. Within 15 business days from the date of receipt of all the information relating to the notification referred to in Paragraph 1, the Commission shall transmit the notification to the competent authority of the host Member State and to ESMA, and shall inform the person referred to in Article 247b, Paragraph 1.

(3) The Commission shall send to the competent authority of the host Member State information on all changes in the documents and information under Article 245, Paragraph 1, items 3 - 6.

Section IV

(New, SG No. 109/2013, effective 20.12.2013)
Marketing of units or shares of alternative investment funds in the territory of the Republic of Bulgaria by an alternative investment fund manager originating in another Member State

Article 248. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund manager originating in another Member State may manage an alternative investment fund established in the Republic of Bulgaria directly or by opening a branch, based on a notification received by the Commission from the competent authority of the home Member State of the alternative investment fund manager, to which the data and documents under Article 244, Paragraph 2 are attached and a confirmation by the home Member State that the alternative investment fund is licensed by the competent authority of the home Member State. All branches established in the territory of the Republic of Bulgaria shall be treated as one branch.

(2) The person under Paragraph 1, which will pursue business by opening of a branch, may start pursuing the business for which a notification was received after the registration of its branch in the Republic of Bulgaria.

(3) The Commission shall accept as up-to-date the information contained in the data and documents under Paragraph 1 provided by the respective competent authority, until it is notified by the respective competent authority of any change in the data.

Article 249. (New, SG No. 109/2013, effective 20.12.2013) (1) An alternative investment fund manager originating in another Member State may manage an alternative investment fund established in the Republic of Bulgaria, or in another Member State, or an alternative investment fund established in a third country, in the territory of the Republic of Bulgaria based on a notification received by the Commission from the competent authority of the home Member State of the alternative investment fund manager, to which the data and documents under Article 245, Paragraph 1, are attached and a confirmation by the competent authority of the home Member State that the alternative investment fund manager is licensed by the competent authority of the home Member State and that its licence includes management of alternative investment funds with the respective investment strategy. The Commission shall provide conditions for receiving the information under the foregoing sentence electronically.

(2) The Commission shall accept as up-to-date the information contained in the data and documents under Paragraph 1 submitted by the respective competent authority, until it is notified by the respective competent authority of any change in the data.

(3) The marketing of the units or shares of the alternative investment fund marketed under the provisions of Paragraph 1, as well as the introduction and implementation of measures to prevent marketing to non-professional investors, including where the

alternative investment fund manager employs the services of third parties for the services provided to the fund, should be in compliance with the requirements of the legislation of the Republic of Bulgaria.

Article 250. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 15/2018, effective 16.02.2018) Marketing of units or shares of particular alternative investment funds by a person originating from another Member State in accordance with this section shall refer only to professional investors within the meaning of § 1, item 10, of the Additional Provisions of the Markets in Financial Instruments Act.

(2) (Amended, SG No. 15/2018, effective 16.02.2018) The person under Paragraph 1 may market to non-professional investors within the meaning of § 1, item 11, of the Additional Provisions of the Markets in Financial Instruments Act in the territory of the Republic of Bulgaria if in compliance with the requirements of Part Three, Title One, accordingly.

Article 250a. (New, SG No. 16/2022) (1) A person managing alternative investment funds originating in another Member State, authorized by the competent authority of the home Member State, may withdraw the notification of marketing on the territory of the Republic of Bulgaria of units or shares of some or all alternative investment funds notified to the Commission under Articles 248 or 249, if the following conditions are met:

1. a blanket call for redemption of all units or shares of some or all alternative investment funds, free of any charges or deductions, is made public at least 30 business prior, directly or through financial intermediaries, to all investors in the territory of the Republic of Bulgaria and whose identity is known;

2. the intention to terminate the marketing of units or shares of some or all alternative investment funds in the territory of the Republic of Bulgaria is made public through publicly available means, which are usually used in the marketing of units of alternative investment funds to professional investors, including electronically;

3. all contracts with financial intermediaries or third parties entrusted with functions are amended or terminated from the date of withdrawal of the notification of marketing in order to prevent new or subsequent, direct or indirect, marketing or sale of the units referred to in the notification of withdrawal of marketing by the person under Paragraph 1, which notification shall be forwarded to the Commission by the competent authority of the home Member State.

(2) The requirements under Paragraph 1, item 1 shall not apply to managers of closed-end alternative investment funds and to funds under Regulation (EU) 2015/760.

(3) The person under Paragraph 1 shall terminate any subsequent marketing or sale of its units or shares of the managed alternative investment fund, for which the notification of marketing has been withdrawn, as of the date of withdrawal of the notification.

(4) For a period of 36 months, as of the date of withdrawal of the notification of marketing, the person under Paragraph 1 may not carry out pre-marketing within the meaning of Article 238a in the territory of the Republic of Bulgaria in respect of the units or shares of some or all of the alternative investment funds referred to in the notification of withdrawal of marketing by the person referred to in Paragraph 1, which the competent authority of the home Member State shall transmit to the Commission, or in respect of other similar investment ideas or investment strategies.

(5) The person under Paragraph 1 who ceases to market the units or shares of the managed alternative investment fund in the territory of the Republic of Bulgaria, shall continue to provide the investors who have retained their investment and the Commission with the information required under Articles 235 and 237.

(6) In the cases referred to in Paragraph 5, the person under Paragraph 1 may use any electronic or other means of distant communication.

(7) With regard to the person under Paragraph 1 the Commission shall continue to exercise the powers provided for in this Act and in its implementing acts after the date of receipt of the information under Paragraph 8, with the exception of the powers related to the requirements set out in Article 5 of Regulation (EU) 2019/1156.

(8) The Commission shall receive from the competent authority of the home Member State of the person under Paragraph 1 information on all changes in the documents and information under Article 245, Paragraph 1, items 3 - 6.

Section V

(New, SG No. 109/2013, effective 20.12.2013)

Marketing of units or shares of alternative investment funds in the territory of the Republic of Bulgaria by an alternative investment fund manager from a third country

Article 251. (New, SG No. 109/2013, effective 20.12.2013) (1) (Supplemented, SG No. 102/2019) Notwithstanding the requirements under Section IV, a person managing alternative investment funds originating in a third country may market in the territory of the Republic of Bulgaria an alternative investment fund to professional investors without marketing it in the territory of another Member State, if the following conditions have been met:

1. (amended, SG No. 76/2016, effective 30.09.2016) in managing the alternative investment fund, the alternative investment fund manager meets all the requirements of this Act, including the requirements of Articles 235 – 237, as well as the requirements of Article 234, where applicable;

2. there are appropriate cooperation arrangements in place in line with the international standards for the purposes of systemic risk monitoring between the Commission, the competent authorities of the country where the alternative investment fund is established, the competent authorities of the third country where the seat of the alternative investment fund manager is located, which provide effective information exchange with a view to the performance by the Commission of its supervision powers;

3. the third country where the seat of the alternative investment fund manager is located, as well as the third country where the third-country alternative investment fund is established, is not listed as a Non-cooperative Country or Territory in the list of the Financial Action Task Force.

(2) The competent authority for the purposes of Articles 234 - 237 shall be the Commission, and the investors shall be the persons to whom the alternative investment fund is marketed in the territory of the Republic of Bulgaria.

(3) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson shall issue an authorisation for doing the marketing under Paragraph 1, applying Article 203, Paragraphs 3 – 6 accordingly.

(4) Provided a competent authority of an alternative investment fund established in a Member State fails to accede in a timely manner to any arrangements provided for in Paragraph 1, item 2, the Commission may notify ESMA to ensure the cooperation under Article 19 of Regulation (EO) № 1095/2010.

Section VI

(New, SG No. 109/2013, effective 20.12.2013)
Applicable Law, Cooperation and Information Exchange

Article 252. (New, SG No. 109/2013, effective 20.12.2013) (1) The Commission and the Deputy Chairperson shall exercise supervision over the alternative investment fund managers originating in the Republic of Bulgaria, irrespective if these persons manage and/or market alternative investment funds in the territory of other Member States.

(2) The Commission and the Deputy Chairperson shall exercise supervision over the alternative investment fund managers originating in another Member State in relation to the compliance with:

1. the requirements of Article 218 and 220 to the alternative investment fund managed and/or marketed in the territory of the Republic of Bulgaria;

2. the requirements to the marketing of units or shares of an alternative investment fund in the territory of the Republic of Bulgaria, as well as to the introduction and implementation of measures to prevent marketing to non-professional investors, including where the alternative investment fund manager employs the services of third parties for the services provided to the fund.

(3) Alternative investment fund managers originating in another Member State shall submit to the Commission and to the Deputy Chairperson information required for the performance of their supervisory functions with regard to those persons.

(4) If an alternative investment fund manager originating from another Member State breaches any rules, the supervision over the compliance of which is exercised by the Commission, the Deputy Chairperson shall require from the person to stop the breach and to notify to this effect the competent authorities of its home country.

Article 253. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 95/2017, effective 1.01.2018) If an

alternative investment fund manager originating from another Member State refuses to provide information under Article 252, Paragraph 3, or fails to implement the necessary measures to stop the breach under Article 252, Paragraph 4, the Commission by proposal of the Deputy Chairperson shall inform to this effect the competent authorities of the person's home Member State.

(2) (Amended and supplemented, SG No. 95/2017, effective 1.01.2018) If in spite of the measures implemented by the competent authorities of the home Member State of the person under Paragraph 1 or due to lack of appropriate and adequate measures the person under Paragraph 1 continues to not provide the information under Article 252, Paragraph 3, or fails to implement the necessary measures to stop the breach under Paragraph 1, the Commission or the Deputy Chairperson respectively shall take the necessary measures to prevent and penalize the breaches, including by possibly the Commission forcing the person to stop managing the alternative investment funds in the territory of the Republic of Bulgaria and to prohibit the management and/or marketing of new alternative investment funds in the territory of the Republic of Bulgaria by this person. The Commission shall notify the competent authorities of the home Member State of the person under Paragraph 1 before taking the measures under the first sentence.

Article 254. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended and supplemented, SG No. 95/2017, effective 1.01.2018) Where the Commission by proposal of the Deputy Chairperson has clear and provable grounds to believe that an alternative investment fund manager originating from another Member State is breaching the requirements with regard to which the Commission, the Deputy Chairperson respectively, has no powers to supervise, it shall notify to this effect the competent authority of the home Member State.

(2) (Amended, SG No. 95/2017, effective 1.01.2018) If in spite of the measures implemented by the competent authority of the home Member State, or if these measures proved to be inadequate or inappropriate, or the respective competent authority fails to take actions within a reasonable timeframe and the person under Paragraph 1 continues to act in conflict with the interests of the investors or with the normal operation of the capital markets in the territory of the Republic of Bulgaria, the Commission by proposal of the Deputy Chairperson may, after notifying the competent authority of the home Member State, take the necessary measures to protect the investors, and financial stability, and to ensure the normal operation of the capital markets, including to prohibit the person under Paragraph 1 to pursue business in the territory of the Republic of Bulgaria.

(3) (Amended, SG No. 95/2017, effective 1.01.2018) Paragraphs 1 and 2 shall also apply where the Commission basis of proposal of the Deputy Chairperson has clear and provable grounds to disagree with a licence issued by another Member State to an alternative investment fund manager originating from a third country.

Article 255. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 95/2017, effective 1.01.2018) Where an alternative investment fund manager originating from the Republic of Bulgaria breaches any rules, the supervision over the compliance of which is exercised by the competent authorities of a host Member State, and in spite of the request made by these authorities it fails to stop the breach, the Commission having been informed to this effect by the competent authorities of the host Member State, shall take in the shortest time frames all appropriate measures to make the respective company provide the information required by the host member State, or to stop such a breach. In case of a breach by an alternative investment fund manager from a third country, the Commission shall require the necessary information from the respective competent authorities of the third country. The Commission shall inform the competent authority of the host Member State about the measures taken.

(2) (Amended, SG No. 95/2017, effective 1.01.2018) Where a competent authority of another member State notifies the Commission that there are grounds for it to believe that an alternative investment fund manager originating from the Republic of Bulgaria is breaching the rules for the compliance with which the Commission is responsible, the Commission shall be obliged to take in the shortest timeframes the necessary measures, including by making a request for information to the respective competent supervision authorities of the third country.

Article 256. (New, SG No. 109/2013, effective 20.12.2013, amended and supplemented, SG No. 95/2017, effective 1.01.2018) Where the Commission based on proposal by the Deputy Chairperson establishes that an alternative investment fund manager from a third country licensed by the Commission breaches the requirements under Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010 (OJ, L 174/1 of 1 July 2011), hereinafter referred to as "Directive 2011/61/EU", the Commission shall immediately notify ESMA to this effect.

Article 257. (New, SG No. 109/2013, effective 20.12.2013) (1) The Commission shall co-operate with the competent authorities of the other Member States in the exercise of its supervisory powers under this Act and the instruments for its

application and, where necessary, shall assist these authorities in the exercise of their supervisory powers.

(2) When providing co-operation under Paragraph 1, the Commission, the Deputy Chairperson respectively, shall use the legally mandated powers to it also in the cases where the action investigated by the competent authorities of the other Member States does not constitute a breach of the laws of the Republic of Bulgaria.

Article 258. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission shall immediately provide information to the competent authority of another Member State, where this information is required for the exercise of its powers under Directive 2011/61/EU.

(2) The Commission shall provide to the host countries of the respective alternative investment fund managers copies of the cooperation and information exchange agreements concluded in accordance with this title with the competent authorities of other countries, and the information received from these authorities in relation to the above managers.

(3) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission shall immediately provide information to ESMA, the European Systemic Risk Board and the competent authorities of other Member States, where this information is of significance for monitoring and preventing or for coping with possible unfavourable consequences from the activities of one or more alternative investment fund managers for systemically important financial institutions and for the proper operation of the markets, in which the alternative investment fund managers participate.

(4) In case of disagreement with an assessment, made by a competent authority of another Member State, which is a home Member State for an alternative investment fund manager, in relation to the application of the provisions of the national legislation equivalent to Article 233, Paragraph 3, items 1 and 3 and Paragraphs 7, 11 and 12, Article 240, Paragraph 1, items 2 and 3, Article 208, Paragraph 3 and Article 209, Paragraph 1, items 1 - 5 and 7, an action or omission of a competent authority in areas where cooperation or coordination between the competent authorities of more than one Member State is required, with an authorization issued by a competent authority of another Member State for pursuit of an activity by an alternative investment fund manager having its seat in a third country, or with measure pursued by a competent authority of another Member State under Articles 252 - 255, as well as where as a competent authority of a host Member State it believes that the co-operation and information exchange agreements concluded under this title with competent authorities of other Member States do not comply with the requirements applicable thereto, the Commission may notify ESMA to ensure the co-operation pursuant to Article 19 of Regulation (EU) No. 1095/2010.

Article 259. (New, SG No. 109/2013, effective 20.12.2013) (1) Where the Deputy Chairperson has clear and provable grounds to believe that an alternative investment fund manager with regard to the activities of which he/she has no powers to supervise, is breaching, or has breached, the requirements under Directive 2011/61/EU, he/she shall notify to this effect ESMA and the competent supervision authorities of the respective home Member State and those of the host Member States of the alternative investment fund manager.

(2) (Amended, SG No. 95/2017, effective 1.01.2018) Where the Commission is notified by a competent authority of a Member State that a person, over which this authority has no supervisory powers, and for which the Republic of Bulgaria is a home Member State, or a host Member State is breaching, or has breached the requirements under Directive 2011/61/EU, the Commission or the Deputy Chairperson respectively, shall take the necessary measures and the Commission shall inform ESMA and the competent authority of the Member State of the results thereof, and of any material circumstances that have occurred subsequently.

Article 260. (New, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 95/2017, effective 1.01.2018) In performing its supervisory activities, including in conducting on-site inspections or investigation in the territory of a Member State, the Commission by proposal of the Deputy Chairperson may request assistance from the respective competent authority of this Member State.

(2) (Amended, SG No. 95/2017, effective 1.01.2018) Where the competent authority decides to conduct the inspection or investigation under Paragraph 1 independently, the Commission by proposal of the Deputy Chairperson may request that the Commission's experts accompany the competent authority's experts when conducting the inspection or investigation.

Article 261. (New, SG No. 109/2013, effective 20.12.2013) (1) Where a request is made by a competent authority of a Member State for conducting an on-site inspection or investigation in the territory of the Republic of Bulgaria, the Commission, within its powers, shall:

1. conduct the inspection or investigation independently;

2. permit the conducting of the inspection or investigation by the competent authority of the other Member State;

3. permit the conducting of the inspection or investigation by auditors or experts.

(2) In the cases under Paragraph 1, item 1, upon a request by the competent authority of the other Member State, in conducting of the inspection or investigation the Commission's staff shall be accompanied by staff of that competent authority. Regardless of this, the control over the conduct of the inspection or investigation shall be exercised by the competent authorities of the Republic of Bulgaria.

(3) In the cases under Paragraph 1, item 2, in conducting of the inspection or investigation the staff of the competent authority of the other Member State shall be accompanied by the staff of the Commission.

Article 262. (New, SG No. 109/2013, effective 20.12.2013) (1) The Commission may refuse to provide information or assistance in conducting of the on-site inspection or investigation under Article 268, where:

1. conducting the on-site inspection or investigation or provision of information may adversely impact the sovereignty, security or public order in the Republic of Bulgaria;

2. there are proceedings initiated with the judiciary authorities in the Republic of Bulgaria with regard to the same actions or persons, in relation to which assistance was requested;

3. there is an effective court judgement in the Republic of Bulgaria with regard to the same actions or persons, in relation to which assistance was requested.

(2) In the cases under Paragraph 1, the Commission shall notify the authority requesting assistance and shall provide to it detailed information about the reasons for the refusal.

TITLE THREE

(Renumbered from Title Two, SG No. 109/2013, effective 20.12.2013) SPECIAL INVESTMENT PURPOSE COMPANIES

Article 263. (Renumbered from Article 194, SG No. 109/2013, effective 20.12.2013, amended, SG No. 21/2021, SG No. 51/2022) A collective investment undertaking shall also be a special purpose investment company whose activity is regulated by the Special Purpose Investment Companies and Securitisation Companies Act.

PART FOUR

COERCIVE ADMINISTRATIVE MEASURES AND ADMINISTRATIVE PENAL LIABILITY

Chapter Twenty Three
(Renumbered from Chapter Nineteen, SG No. 109/2013, effective 20.12.2013) COERCIVE ADMINISTRATIVE MEASURES

Article 264. (Renumbered from Article 195, SG No. 109/2013, effective 20.12.2013) (1) (Supplemented, SG No. 42/2016) Where the Commission establishes that persons subject to supervision, their employees, persons who perform management functions under a contract or enter into transactions for the account of persons subject to supervision and holding a qualifying holding in a management company have carried out or are carrying out actions contrary to this Act, the instruments for its application, the applicable act of the European Union, decisions of the Commission or of the Deputy Chairperson or where exercise of control by the Commission or the Deputy Chairperson is hampered or the interests of investors are threatened, the Commission, the Deputy Chairperson respectively, may:

1. oblige them to take measures that are necessary to prevent and rectify breaches, the harmful effects therefrom or the threat for the interests of investors within the time limit set thereby;

2. under an agenda set by the Commission, call a general meeting and/or schedule a meeting of the managing or controlling body of the persons controlled by the Commission for taking decisions on the measures that must be taken;

3. inform the public of an activity that threatens the interests of investors;

4. (supplemented, SG No. 109/2013, effective 20.12.2013) suspend for a period of 10 consecutive business days or stop finally the sale or execution of transactions in units or shares of the collective investment scheme, or another collective investment undertaking;

5. order in writing to a person subject to supervision to dismiss one or more persons authorized to manage and represent the respective person, and revoke its managing and representative powers until dismissal thereof;

6. appoint receivers in the cases set out herein;

7. (supplemented, SG No. 109/2013, effective 20.12.2013) appoint a registered auditor to conduct a financial or other audit in accordance with requirements set out by the Deputy Chairperson of a person subject to supervision and the costs shall be at the expense of the auditee;

8. (supplemented, SG No. 109/2013, effective 20.12.2013, SG No. 16/2022) take decision on temporary suspension of the issue and redemption of units or shares of a collective investment scheme, or another collective investment undertaking, including where this is in the public interest;

9. (new, SG No. 109/2013, effective 20.12.2013) to request the enforcement of distraint on property.

(2) A coercive administrative measure shall also be the withdrawal of the licence, authorisation respectively, for pursuit of business under this Act except for the cases where the person has expressly refused the licence, authorisation granted.

(3) (Amended, SG No. 76/2016, effective 30.09.2016, amended and supplemented, SG No. 95/2017 effective 1.01.2018, amended, SG No. 15/2018, effective 16.02.2018) Where it is established that a depositary pursues its activity contrary to the provisions of this Act or the instruments for its application, the Commission by proposal of the Deputy Chairperson may enforce the measures specified in Item 1 of Paragraph (1), and where the depositary is an investment intermediary – also the relevant measures specified in Article 276 (1) of the Markets in Financial Instruments Act, and where the depositary is a bank, the Commission can propose to the Bulgarian National Bank to enforce the relevant measures under Article 103 (2) of the Credit Institutions Act. The Bulgarian National Bank shall notify the Commission of its decision within one month from receipt of the proposal.

(4) (Amended, SG No. 95/2017, effective 1.01.2018) The Commission by proposal of the Deputy Chairperson may propose to the Bulgarian National Bank to withdraw the licence of a depositary only if the depositary systematically breaches the provisions of this Act or the instruments for its application.

(5) (New, SG No. 15/2018, effective 16.02.2018) The coercive administrative measures referred to in paragraph 1, items 1 and 3 may furthermore apply to persons carrying on business without a licence or authorisation, which are required under this Act.

(6) (Amended, SG No. 95/2017, effective 1.01.2018, renumbered from paragraph 5, SG No. 15/2018, effective 16.02.2018) At the request of the Commission the Registry Agency shall register the circumstances, announce the acts respectively under Paragraph 1 in the commercial register.

(7) (New, SG No. 76/2016, effective 30.09.2016, renumbered from Paragraph 6, SG No. 15/2018, effective 16.02.2018) When enforcing the measures specified in Paragraph (1), the Deputy Chairperson shall take into account all relevant circumstances, including, where applicable, the circumstances specified in Article 273a.

(8) (New, SG No. 15/2018, effective 16.02.2018, amended, SG No. 51/2022) Should it establish that management companies or persons managing alternative investment funds have carried on or are carrying on business in breach of Regulation (EU) 2015/2365 or of its implementing instruments, the Commission, acting on a proposal from the Deputy Chairperson, may apply the measures referred to in Article 22, paragraph 4, letters "a", "b" and "d" of Regulation (EU) 2015/2365.

(9) (New, SG No. 102/2019) Should it establish that a managing person or a person managing alternative investment funds, as well as a collective investment scheme or any other collective investment undertaking carries out transactions or operations in breach of the Measures Against Money Laundering Act and the instruments for its implementation, the Commission and the Deputy Chairperson respectively may apply a measure under Paragraph 1. The Commission and the Deputy Chairperson

respectively shall notify the State Agency for National Security on initiation of proceedings for the enforcement of the coercive administrative measure.

Article 264a. (New, SG No. 15/2018, effective 1.01.2020) (1) (Amended, SG No. 51/2022) Should it establish that regulated entities, their employees, persons performing managerial functions under a contract have carried on or are carrying on business in breach of Regulation (EU) 1286/2014 or of its implementing instruments, the Commission, acting on a proposal from the Deputy Chairperson, may apply the measures referred to in Article 24, paragraph 2, letters "a" - "d" of Regulation (EU) 1286/2014.

(2) When determining the type of coercive measure under paragraph 1, the Commission shall take into account the circumstances under Article 25 of Regulation (EU) No. 1286/2014.

(3) Where the Commission has applied the measures referred to in paragraph 1 or the Deputy Chairperson has imposed an administrative penalty under Article 273b, the Commission, the Deputy Chairperson of the Commission respectively, may require from the person on whom a coercive administrative measure has been imposed, to send a notification to the investor, providing therewith information about the coercive administrative measure or the administrative penalty imposed thereon, and shall inform him/it where to lodge a complaint or a claim for damages.

(4) Articles 265 – 267 shall apply mutatis mutandis.

Article 264b. (New, SG No. 16/2022) (1) Where he finds that supervised entities, their employees, persons performing management functions under contract, have carried out or are carrying out activities in breach of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability?related disclosures in the financial services (OB, L 317/1 of 9 December 2019), hereinafter referred to as "Regulation (EU) 2019/2088", or of its implementing acts, the Deputy Chairperson may apply the measures under Article 264, Paragraph 1, item 1 and the Commission may apply the measures under Article 264, Paragraph 1, item 4.

(2) Articles 265 – 267 shall apply mutatis mutandis.

Article 265. (Renumbered from Article 196, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 109/2013, effective 20.12.2013, SG No. 95/2017, effective 1.01.2018) The proceedings for enforcement of the coercive administrative measures under Article 264, Paragraph 1, item 1 shall start at the initiative of the Deputy Chairperson, and in the cases under Article 264, Paragraph 1, items 2 to 9 and Paragraph 3, at the initiative of the Commission.

(2) (Amended, SG No. 42/2016, SG No. 94/2019) Notifications and announcements in the proceedings under Paragraph 1 shall be carried out in accordance with Article 61 of the Administrative Procedure Code.

(3) (Amended, SG No. 42/2016) If the notifications and announcements in the proceedings under Paragraph. 1 are not accepted under the procedure of Paragraph 2, such notifications and announcements shall be deemed delivered upon placement thereof at a specifically designated place in the building of the Commission or by publishing them on the website of the Commission. The latter two circumstances shall be ascertained by a protocol drawn up by officials designated by an order of the Deputy Chairperson, and in the cases of Article 264, Paragaraph 1, Items 5 and 6, designated by an order of the Chairperson of the Commission.

(4) (Amended, SG No. 109/2013, effective 20.12.2013, SG No. 42/2016, SG No. 95/2017, effective 1.01.2018) The coercive administrative measures under Article 264, Paragraph 1, items 1 - 4, 7 and 8 shall be enforced with a written reasoned decision of the Deputy Chairperson, and the coercive administrative measures under Article 264, Paragraph 1, items 5 and 6 - with a written reasoned decision of the Commission, which shall be announced to the party concerned within 7 days from taking the decision under Paragraphs 2 and 3.

(5) (New, SG No. 77/2018, effective 1.01.2019) The individual administrative acts referred to in Paragraph (4) shall be appealed before the relative administrative court.

Article 266. (Renumbered from Article 197, SG No. 109/2013, effective 20.12.2013) The decision on enforcement of a coercive administrative measure shall be subject to immediate execution, regardless of whether it has been appealed.

Article 267. (Renumbered from Article 198, SG No. 109/2013, effective 20.12.2013) Insofar as no special rules are set out in this chapter, the relevant provisions of the Administrative Procedure Code shall apply accordingly.

Chapter Twenty Four

(Renumbered from Chapter Twenty, SG No. 109/2013, effective 20.12.2013) RECEIVER

Article 268. (Renumbered from Article 199, SG No. 109/2013, effective 20.12.2013) (1) The Commission may appoint for the investment company and for the management company one or more receivers from among a list approved by the Commission:

1. (amended, SG No. 109/2013, effective 20.12.2013) with the decision on enforcement of a measure under Article 264, Paragraph 1, item 1 or 5 for a term of 6 months, or

2. upon withdrawal of the licence for pursuit of business - until appointment of a liquidator, a trustee in bankruptcy respectively.

(2) If with the expiry of the 6-month time limit under Paragraph 1, item 1 the company's licence for pursuit of activity is not withdrawn, the powers of the receiver shall be terminated and the rights of the company's bodies shall be reinstated.

(3) The Commission may terminate the powers of the receiver at any time and appoint another receiver in his place. The act shall not be subject to appeal.

Article 269. (Renumbered from Article 200, SG No. 109/2013, effective 20.12.2013) (1) The receiver shall be a natural person.

(2) The receiver shall meet the requirements of Article 93, Paragraph 1, items 1, 2 and 6, and the receiver shall:

1. not be a sole trader or a member of a managing or controlling body or a general partner in a company or cooperative against which bankruptcy proceedings have been instituted or which is terminated by bankruptcy, if unsatisfied creditors have remained;

2. not be an insolvent debtor not reinstated in his rights;

3. (amended, SG No. 109/2013, effective 20.12.2013) not be a spouse, or relative, in direct or lateral lineage up to the sixth degree inclusive, or by marriage up to the third degree, to a member of a managing body of the person under Article 268, Paragraph 1, whose powers are terminated with the act of appointment of the receiver;

4. (amended, SG No. 109/2013, effective 20.12.2013) not be with the person under Article 268, Paragraph 1 or with his debtor in relationships arising good reason for suspicion as to his objectivity.

(3) The receiver shall declare in writing to the commission the circumstances under Paragraph 2. The receiver shall immediately notify the Commission of any change in these circumstances.

Article 270. (Renumbered from Article 201, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 109/2013, effective 20.12.2013, SG No. 102/2019) After issuing the act of appointment of a receiver, the Commission shall immediately serve it to the person under Article 268, Paragraph 1 and shall publish a notice thereof on the website of the Commission.

(2) (Renumbered from Article 198, SG No. 109/2013, effective 20.12.2013) With the appointment of a receiver all powers of the supervisory and management boards, the board of directors respectively of the person under Article 268, Paragraph 1, shall be discontinued and shall be exercised by the receiver to the extent the act does not provide for restrictions. The receiver shall take all the necessary measures to protect the interests of the investors.

(3) During the management of the receiver, the general meeting of shareholders may be called only by the receiver and may take decisions on the agenda announced by the receiver.

(4) (Amended, SG No. 109/2013, effective 20.12.2013) Actions and transactions effected on behalf and for the account of the person under Article 268, Paragraph 1 without the prior authorization of the receiver shall be null and void.

(5) If two or more receivers are appointed they shall take decisions unanimously and shall exercise their powers jointly, unless the Commission decides otherwise.

(6) The Commission may issue mandatory prescriptions to the receivers in relation to their activity.

(7) The receiver shall be accountable for his activity only to the Commission and shall provide it immediately with a report on his activity, at its request.

Article 271. (Renumbered from Article 202, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 109/2013, effective 20.12.2013) The receiver shall have unlimited access to and control over the premises of the person under Article 268, Paragraph 1, the accounting and other documentation and its property.

(2) At the request of the receiver, the prosecutor's office and the bodies of the Ministry of Interior shall provide support for the exercise of his powers under Paragraph 1.

Article 272. (Renumbered from Article 203, SG No. 109/2013, effective 20.12.2013) (1) The receiver shall exercise his powers with fair care. He shall be liable only for damages caused thereby maliciously or through gross negligence.

(2) (Amended, SG No. 109/2013, effective 20.12.2013) All employees of the person under Article 268, Paragraph 1 shall provide support to the receiver in the exercise of his powers.

(3) (Amended, SG No. 109/2013, effective 20.12.2013) The receiver shall receive remuneration for his work at the expense of the person under Article 268. Paragraph 1 designated by the Commission.

Chapter Twenty Five

(Renumbered from Chapter Twenty-One, SG No. 109/2013, effective 20.12.2013) ADMINISTRATIVE PENAL LIABILITY

Article 273. (Renumbered from Article 204, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 109/2013, effective 20.12.2013) Whoever commits or allows commitment of a violation of:

1. (Amended, SG No. 76/2016, effective 30.09.2016, SG No. 27/2018, SG No. 102/2019, supplemented, SG No. 26/2020, amended, SG No. 16/2022) Article 105a, 105b, Article 171 (7) and (8), Article 179, Article 197 (6) and (14), Article 215, Article 219a and Article 227, or the implementing instruments thereof shall be liable to a fine from BGN 500 to BGN 4000;

2. (New, SG No. 16/2022) Article 182, Article 197 (1), Article 199 (12), Article 220 – 225, Article 229 (4) and (5), first sentence and Article 232, or the implementing instruments thereof, as of the Regulation (EU) 2019/2088 shall be liable to a fine from BGN 1000 to BGN 4000;

3. (New, SG No. 16/2022) Article 93 (7), first sentence, Article 218 (1) – (3) and Article 219 (1) shall be liable to a fine from BGN 2000 to BGN 5000;

4. (New, SG No. 16/2022) Article 60 (1), Article 64, Article 89, Article 92 (1) – (2), Article 191 (2), Article 226, Article 228 (1), Articles 234 –236 shall be liable to a fine from BGN 3000 to BGN 5000;

5. (Amended, SG No. 76/2016, effective 30.09.2016, renumbered from item 2, amended, SG No. 16/2022) Article 199 (3), (6), (7) and (11), Article 205 (2), Article 233 and Article 237, Article 239 (1), (2) and (6), Article 240 (1), (2) and (4), Article 243, Article 244 (1) and (6), Article 245 (1) and (6), Article 246 (1) and (4) and Article 249 (1) shall be liable to a fine from BGN 4000 to BGN 10,000.

6. (Amended, SG No. 76/2016, effective 30.09.2016, renumbered form item 3, amended and supplemented, SG No. 16/2022) Article 24b, Article 24c (2) and (3), Article 175 (1), Article 183 (1) and (3), Article 184 (1), Article 186, Article 187, Article 188 (1), Article 189, Article 190, Article 195 (3), Article 198 (3) and (6), Article 199 (9) and (10), Article 203 (1) and (2), Article 205 (1), Article 206, Article 210, Article 211 (1), Article 216 (1) – (3), Article 229 (1) – (3), Article 230, Article 238, Article 241 (1), Article 242, Article 247b1 (1) and (3) – (5), Article 247c (1), Article 248 (1) and (2), Article 250, Article 250a, (1) and (3) – (5) and Article 251 (1) shall be liable to a fine from BGN 10,000 to BGN 20,000;

7. (New, SG No. 42/2016, renumbered from item 4, SG No. 16/2022) Regulation (EU) No. 345/2013 shall be liable to a fine from BGN 10,000 to BGN 20,000;

8. (New, SG No. 42/2016, renumbered from item 5, SG No. 16/2022) Regulation (EU) No. 346/2013 shall be liable to a fine from BGN 10,000 to BGN 20,000;

9. (New, SG No. 42/2016, renumbered from item 6, SG No. 16/2022) Regulation (EU) No. 2015/760 shall be liable to a fine from BGN 10,000 to BGN 20,000;

10. (New, SG No. 102/2019, renumbered from item 7, SG No. 16/2022) Regulation (EU) 2017/1131 and/or the instruments for its implementation shall be liable to a fine from BGN 10,000 to BGN 20,000;

11. (New, SG No. 76/2016, effective 30.09.2016, renumbered form item 7, SG No. 102/2019, renumbered from item 8, SG No. 16/2022) Article 171 (6) and Article 197 (1), (3) and (4) shall be liable to a fine from BGN 20,000 to BGN 200,000;

12. (New, SG No. 76/2016, effective 30.09.2016, amended, SG No. 27/2018, renumbered from item 8, amended and supplemented, SG No. 102/2019, renumbered from item 9, amended and supplemented, SG No. 16/2022) Article 4, Paragraphs 5 and 6, Article 6, Paragraphs 4 and 5, Article 7, Paragraphs 2 and 3, Article 9, Paragraphs 1 and 2, Article 10, Paragraph 5, Article 10a, Article 10a, Article 17, Paragraph 3, Article 18, Paragraph 1, Article 37, Paragraph 8, Article 48, Paragraphs 3 and 4, Article 52, Article 57, Paragraphs 1, 5 - 10, Article 58, Paragraph 2, Article 59, Article 61, Paragraphs 1 and 2, Article 62, Article 63, Article 65, Paragraphs 1 and 3, Article 78, Paragraphs 4 and 5, Article 79, Article 81, Paragraph 2, Article 91, Paragraphs 1 and 3, Article 93, Paragraphs 1, 2, 4 and 5, Article 94, Paragraphs 1 and 2, Article 98, Paragraph 2, Article 174, Paragraphs 1 – 4, Article 194, Paragraph 4, Article 197, Paragraph 11, Article 216, Paragraph 5 shall be liable to a fine from BGN 1,000 to BGN 5,000,000;

13. (New, SG No. 76/2016, effective 30.09.2016, renumbered from item 9, amended and supplemented, SG No. 102/2019, supplemented, SG No. 21/2021, renumbered from item 10, amended, SG No. 16/2022) Article 6, Paragraph 3, Article 21, Paragraph 11, Article 25, Article 26, Article 34, Article 35, Article 35a, Article 36, Paragraph 1, Article 37a, Article 51, Article 51a, Article 56, Paragraph 1, Article 57, Paragraph 4, Article 58, Paragraph 1, Article 67, Paragraphs 2 and, Article 69, Paragraph 5, Article 71, Paragraph 2, Article 72, Paragraph 1, Article 75, Paragraphs 1 and 2, Article 77, Paragraphs 1 and 2, Article 78, Paragraphs 1 – 3, Article 80, Article 82, Paragraph 1, Article 87, Paragraph 2, Article 100, Paragraph 4, Article 101, Paragraph 3, Article 103, Article 104, Paragraphs 1 and 2, Article 105, Paragraph 1, Article 106, Paragraphs 1, 3 and 4, Article 108, Article 108a, Paragraphs 1 and 2, Article 109, Paragraphs 1, 7, 8 and 12, Article 110, Paragraphs 1, 5 – 8, Article 113, Paragraphs 2, 3 and 5, Article 114, Paragraphs 1, 4 and 6, Article 116, Paragraph 1, Article 117, Paragraphs 1 – 3, Article 119, Paragraphs 1, 2 and 4, Article 120, Paragraphs 1 and 5, Article 122, Article 124, Paragraph 3, Article 128, Paragraph 1, Articles 130, 131, 132, Article 135a, Paragraphs 1 – 4, Article 136, Paragraphs 1, 7 – 9, Article 138a, Article 140a, Article 140б, Paragraph 1, Article 149, Article 151, Paragraph 3, Article 154, Paragraph 3, Article 156, Paragraphs 1 and 2, Article 185, Article 231, Paragraph 2, Article 238b, Paragraphs 1, 2 and 4, Article 238c, Paragraph 1, and Article 238d, shall be liable to a fine from BGN 4,000 to BGN 5,000,000;

14. (New, SG No. 76/2016, effective 30.09.2016, supplemented, SG No. 15/2018, effective 16.02.2018, renumbered from Item 10, amended, SG No. 102/2019, renumbered from item 11, SG No. 16/2022) Article 4, Paragraphs 3 and 4, Article 7, Paragraph 9, Article 21, Paragraphs 1, 6 and 10, Article 22, Paragraphs 1 – 4, Article 27, Paragraph 1, Article 28, Paragraph 1, Paragraphs 29, 31, 32, Article 36, Paragraphs 2 – 5, Articles 38, 40, 41, Article 42, Paragraphs 1 – 3, Article 43, Paragraphs 1 and 2, Article 45, Paragraphs 1 – 9 and 11, Article 46, Paragraph 1, Article 47, Article 48, Paragraphs 1 and 2, Article 49, Paragraphs 1 and 2, Article 53, Article 69, Paragraph 1, Article 75, Paragraph 4, Article 76, Article 81, Paragraph 1, Article 83, Article 86, Paragraphs 6, 8 – 10, Article 90, Paragraphs 2 – 4, 6, 9 and 10, Article 101, Paragraph 1, Article 102, Paragraphs 1 and 2 and Articles 13 and 14 of Regulation (EU) 2015/2365, shall be liable to a fine from BGN 10,000 to BGN 5,000,000;

15. (New, SG No. 76/2016, effective 30.09.2016, renumbered from item 11, SG No. 102/2019, renumbered from item 12, SG No. 16/2022) Article 6, Paragraph 2 and Article 98, Paragraph 1 shall be liable to a fine from BGN 20,000 to BGN 5,000,000.

(2) In case of repeated violation under Paragraph 1 the guilty person shall be penalized with a fine in the following amount:

1. (amended, SG No. 16/2022) for violations under Paragraph 1, Item 1 – from BGN 1,000 to BGN 10,000;

2. (new, SG No. 16/2022) for violations under Paragraph 1, item 2 – from BGN 4,000 to BGN 10,000;

3. (new, SG No. 16/2022) for violations under Paragraph 1, item 3 – from BGN 10,000 to BGN 20,000;

4. (new, SG No. 16/2022) for violations under Paragraph 1, item 4 – from BGN 5,000 to BGN 10,000;

5. (renumbered from item 2, amended, SG No. 16/2022) for violations under Paragraph 1, item 5 – from BGN 10,000 to

BGN 20,000;

6. (renumbered from item 3, amended, SG No. 16/2022) for violations under Paragraph 1, item 6 – from BGN 20,000 to BGN 40,000;

7. (new, SG No. 42/2016, renumbered from item 4, amended, SG No. 16/2022) for violations under Paragraph 1, item 7 – from BGN 20,000 to BGN 40,000;

8. (new, SG No. 42/2016, renumbered from item 5, amended, SG No. 16/2022) for violations under Paragraph 1, item 8 – from BGN 20,000 to BGN 40,000;

9. (new, SG No. 42/2016, renumbered from item 6, amended, SG No. 16/2022) for violations under Paragraph 1, item 9 – from BGN 20,000 to BGN 40,000;

10. (new, SG No. 102/2019, renumbered from item 7, amended, SG No. 16/2022) for violations under Paragraph 1, item 10 – from BGN 20,000 to BGN 40,000;

11. (new, SG No. 76/2016, effective 30.09.2016, renumbered from item 7, amended, SG No. 102/2019, renumbered from item 8, amended, SG No. 16/2022) for violations under Paragraph 1, item 11 – from BGN 40,000 to BGN 300,000;

12. (new, SG No. 76/2016, effective 30.09.2016, renumbered from item 8, amended, SG No. 102/2019, renumbered from item 9, amended, SG No. 16/2022) for violations under Paragraph 1, item 12 – from BGN 4000 to BGN 10,000,000;

13. (new, SG No. 76/2016, effective 30.09.2016, renumbered from item 9, amended, SG No. 102/2019, renumbered from item 10, amended, SG No. 16/2022) for violations under Paragraph 1, item 13 – from BGN 10,000 to BGN 10,000,000;

14. (new, SG No. 76/2016, effective 30.09.2016, renumbered from item 10, amended, SG No. 102/2019, renumbered from item 11, amended, SG No. 16/2022) for violations under Paragraph 1, item 14 – from BGN 20,000 to BGN 10,000,000;

15. (new, SG No. 76/2016, effective 30.09.2016, renumbered from item 11, amended, SG No. 102/2019, renumbered from item 12, amended, SG No. 16/2022) for violations under Paragraph 1, item 15 – from BGN 40,000 to BGN 10,000,000.

(3) (Amended, SG No. 109/2013, effective 20.12.2013, repealed, SG No. 76/2016, effective 30.09.2016).

(4) (Amended, SG No. 109/2013, effective 20.12.2013, amended and supplemented, SG No. 76/2016, effective 30.09.2016, amended, SG No. 16/2022) In the event of non-compliance with an enforced coercive administrative measure under Article 264, Paragraph 1 the offenders and contributors shall be penalized with a fine, in the amount of BGN 5000 to BGN 20,000 and in the event of repeated infringement – from BGN 10,000 to BGN 50,000.

(5) For violations under Paragraph 1 committed by legal entities and sole traders a financial sanction shall be imposed as follows:

1. (amended, SG No. 16/2022) for any violations covered under Item 1 of Paragraph 1: BGN 1000 or more but not exceeding BGN 5000 and, for a repeated violation, BGN 2000 or more but not exceeding BGN 20,000;

2. (new, SG No. 16/2022) for violations under Paragraph 1, item 2 - from BGN 4000 to BGN 10,000, and in case of repeated violation - from BGN 10,000 to BGN 20,000;

3. (new, SG No. 16/2022) for violations under Paragraph 1, item 3 - from BGN 5000 to BGN 10,000, and in case of repeated violation - from BGN 10,000 to BGN 40,000;

4. (new, SG No. 16/2022) for violations under Paragraph 1, item 4 - from BGN 5000 to BGN 10,000, and in case of repeated violation - from BGN 10,000 to BGN 20,000;

5. (renumbered form item 2, amended, SG No. 16/2022) for any violations covered under Item 5 of Paragraph 1: BGN 10,000 or more but not exceeding BGN 20,000 and, for repeated violation, BGN 20,000 or more but not exceeding BGN 40,000;

6. (renumbered form item 3, amended, SG No. 16/2022) for any violations covered under Item 6 of Paragraph 1: BGN 20,000 or more but not exceeding BGN 40,000 and, for repeated violation, from BGN 40,000 or more but not exceeding BGN 100,000;

7. (new, SG No. 42/2016, renumbered from item 4, amended, SG No. 16/2022) for any violations covered under Item 7 of Paragraph 1: BGN 20,000 or more but not exceeding BGN 40,000 and, for repeated violation, BGN 40,000 or more but not exceeding BGN 100,000;

8. (new, SG No. 42/2016, renumbered from item 5, amended, SG No. 16/2022) for any violations covered under Item 8 of Paragraph 1: BGN 20,000 or more but not exceeding BGN 40,000 and, for repeated violation, BGN 40,000 or more but not exceeding BGN 100,000;

9. (new, SG No. 42/2016, renumbered from item 6, amended, SG No. 16/2022) for any violations covered under Item 9 of Paragraph 1: BGN 20,000 or more but not exceeding BGN 40,000 and, for repeated violation, BGN 40,000 or more but not exceeding BGN 100,000;

10. (new, SG No. 102/2019, renumbered from item 7, amended, SG No. 16/2022) for any violations covered under Item 10 of Paragraph 1: BGN 20,000 or more but not exceeding BGN 40,000 and, for repeated violation, BGN 40,000 or more but not exceeding BGN 100,000;

11. (new, SG No. 76/2016, effective 30.09.2016, renumbered from item 7, amended, SG No. 102/2019, renumbered from item 8, amended, SG No. 16/2022) for violations under Paragraph 1, item 11 – from BGN 50,000 to BGN 300,000, and in the event of repeated violation – from BGN 100,000 to BGN 500,000;

12. (new, SG No. 76/2016, effective 30.09.2016, renumbered from item 8, amended, SG No. 102/2019, renumbered from item 9, amended, SG No. 16/2022) for violations under Paragraph 1, item 12 – from BGN 4000 to BGN 5,000,000, and in the event of repeated violation – from BGN 10,000 to BGN 10,000,000;

13. (new, SG No. 76/2016, effective 30.09.2016, renumbered from item 9, amended, SG No. 102/2019, renumbered from item 10, amended, SG No. 16/2022) for violations under Paragraph 1, item 13 – from BGN 10,000 to BGN 5,000,000, and in the event of repeated violation – from BGN 20,000 to BGN 10,000,000;

14. (new, SG No. 76/2016, effective 30.09.2016, renumbered from item 10, amended, SG No. 102/2019, renumbered from item 11, amended, SG No. 16/2022) for violations under Paragraph 1, item 14 – from BGN 20,000 to BGN 5,000,000, and in the event of repeated violation – from BGN 40,000 to BGN 10,000,000;

15. (new, SG No. 76/2016, effective 30.09.2016, renumbered from item 11, amended, SG No. 102/2019, renumbered from item 12, amended, SG No. 16/2022) for violations under Paragraph 1, item 15 – from BGN 50,000 to BGN 5,000,000, and in the event of repeated violation – from BGN 100,000 to BGN 10,000,000;

16. (new, SG No. 76/2016, effective 30.09.2016, renumbered from item 12, SG No. 102/2019, renumbered from item 13, amended, SG No. 16/2022) for violations under Paragraph 4 – from BGN 10,000 to BGN 50,000, and in the event of repeated violation – from BGN 20,000 to BGN 100,000.

(6) (New, SG No. 102/2019) Whoever provides or allows the provision of false information in relation to the supervision exercised by the Commission and the Deputy Chairperson on the activities of a managing company, a person managing alternative investment funds, a collective investment scheme or any other collective investment undertaking, shall be penalized with a fine from BGN 1,000 to BGN 10,000, and in the event of a repeated violation – from BGN 2,000 to BGN 50,000, if the violation does not constitute an offence.

(7) (New, SG No. 102/2019) For violation under Paragraph 6 committed by legal entities a financial sanction shall be imposed, ranging from BGN 2,000 to BGN 20,000, and for a repeated violation, from BGN 10,000 to BGN 100,000.

(8) (Renumbered from Paragraph 6, SG No. 102/2019) Incomes acquired from illegal activity shall be confiscated in favour of the state to the extent these cannot be recovered to the damaged persons.

Article 273a. (New, SG No. 76/2016, effective 30.09.2016) (1) When determining the type and amount of the administrative penalties under Article 273, the Deputy Chairperson shall take into account all circumstances relevant to the specific case, including, where applicable:

1. the gravity and duration of the infringement;

2. the degree of liability of the person responsible for the infringement;

3. the financial condition of the person responsible for the infringement, defined based on the total financial turnover of the responsible legal entity or the annual income of the responsible individual;

4. the amount of profit gained or loss evaded by the person responsible for the infringement, and the amount of losses suffered by third parties and losses suffered by financial markets as a result of the infringement, as far as their size can be determined;

5. the degree of cooperation of the responsible natural or legal person with the competent authority;

6. previous offences committed by the responsible natural or legal person;

7. measures taken by the responsible natural or legal person after the infringement aimed at preventing a repeated infringement.

(2) For the purposes of Paragraph (1), the Deputy Chairperson shall have the right of access to tax and social security information.

Article 273b. (New, SG No. 15/2018, effective 1.01.2020) (1) A person holding a managerial position in an investment company, management company or a person managing an alternative investment fund, which commits or allows the commitment of a violation of Article 5, paragraph 1, Article 6, Article 7, Article 8, paragraphs 1 - 3, Article 9, Article 10, paragraph 1, Article 13, paragraphs 1, 3 and 4, Articles 14 and 19 of Regulation (EU) No. 1286/2014, shall be liable to a fine from BGN 2,500 to BGN 1,400,000, and for a repeated violation, from BGN 5,000 to BGN 2,800,000.

(2) A person holding a managerial position in an investment company, management company or a person managing an alternative investment fund, which commits or allows the commitment of a violation of Regulation (EU) No. 1286/2014, except for the cases under paragraph 1 or an implementing instrument thereof, shall be liable to a fine from BGN 1,500 to BGN 700,000, and for a repeated violation, from BGN 3,000 to BGN 1,400,000.

(3) An investment company, management company or a person managing an alternative investment fund, which commits or allows the commitment of a violation of Article 5, paragraph 1, Article 6, Article 7, Article 8, paragraphs 1 - 3, Article 9, Article 10, paragraph 1, Article 13, paragraphs 1, 3 and 4, Articles 14 and 19 of Regulation (EU) No. 1286/2014, shall be liable to a fine from BGN 20,000 to BGN 10,000,000, and for a repeated violation, from BGN 40,000 to BGN 20,000,000.

(4) An investment company, management company or a person managing an alternative investment fund, which commits or allows the commitment of a violation of Regulation (EU) No. 1286/2014, except for the cases under paragraph 3, or an implementing instrument thereof, shall be liable to a pecuniary sanction from BGN 10,000 to BGN 5,000,000, and for a repeated violation, from BGN 20,000 to BGN 10,000,000.

(5) When determining the type of administrative punishment the Deputy Chairperson shall take into account the circumstances referred to in Article 25 of Regulation (EU) No. 1286/2014.

Article 273c. (New, SG No. 51/2022) (1) A person holding a management position in a management company or in a person managing alternative investment funds, which commits or allows the commitment of a violation of Article 4 or Article 15 of Regulation (EU) 2015/2365, shall be punishable by a fine of up to BGN 5,000 but not exceeding BGN 5,000,000, and for a repeated violation, from BGN 10,000 but not exceeding BGN 10,000,000.

(2) A management company or a person managing alternative investment funds, which commits a violation of Article 4 of Regulation (EU) 2015/2365, shall be punishable by a pecuniary sanction from BGN 10,000 but not exceeding BGN 40,000, and for a repeated violation, from BGN 20,000 but not exceeding BGN 10,000,000.

(3) A management company or a person managing alternative investment funds, which commits a violation of Article 15 of Regulation (EU) 2015/2365, shall be punishable by a pecuniary sanction from BGN 20,000 but not exceeding BGN 80,000, and for a repeated violation, from BGN 40,000 but not exceeding BGN 30,000,000.

(4) When determining the type of administrative punishment the Deputy Chairperson shall take into account the circumstances referred to in Article 23 of Regulation (EU) No. 2015/2365.

Article 274. (Renumbered from Article 205, SG No. 109/2013, effective 20.12.2013) (1) (Amended, SG No. 109/2013,

effective 20.12.2013, supplemented, SG No. 15/2018, effective 16.02.2018, amended, SG No. 51/2022) Acts of established violations under Article 273, Article 273b and Article 273c shall be drawn up by officials authorized by the Deputy Chairperson and penalty decrees shall be issued by the Deputy Chairperson.

(2) Establishment of violations, issuance, appeal and execution of penalty decrees shall be carried out in accordance with the Administrative Violations and Sanctions Act.

Article 274a. (New, SG No. 42/2016) A person who within a month from entry into force of a penalty decree fails to pay the financial sanction imposed thereon, shall be charged interest in the amount of the legal interest for the period from the date following the day of expiry of the one-month time limit until the date of the payment.

Article 275. (New, SG No. 109/2013, effective 20.12.2013, amended, SG No. 76/2016, effective 30.09.2016) (1) (Amended, SG No. 95/2017, effective 1.01.2018, SG No. 15/2018, effective 16.02.2018, amended and supplemented, SG No. 102/2019) The Commission and the Deputy Chairperson respectively shall disclose on the Commission's website each enforced coercive administrative measure and each penalty imposed for violation of the provisions of this Act and its implementing instruments after notification of the entity concerned thereof. The information which is subject to disclosure shall include at least details about the violation, the infringing person, the measure enforced or the penalty imposed, whether is was appealed, the instance before which it was appealed and the result of the appeal.

(2) (Repealed, SG No. 15/2018, effective 16.02.2018).

(3) (Amended, SG No. 95/2017, effective 1.01.2018, SG No. 102/2019) The Commission and the Deputy Chairperson respectively, after assessing in each specific case whether the disclosure of personal data of a natural person or identification data of a legal entity may cause harms to investors, the person on whom the coercive administrative measure and/or the penalty was imposed, and/or to the persons concerned, non-compliant with the violation committed, as well as whether the publication of the information could jeopardise the stability of the financial markets or could affect initiated criminal proceedings, may:

1. the publishing of personal data of a natural person or identification data of a legal entity, on which a sanction has been imposed, is excessive;

2. such publishing would jeopardise the stability of financial markets or would influence pending criminal proceedings;

3. such publishing would cause excessive damage to the persons involved.

(4) (Amended, SG No. 102/2019) The Commission and the Deputy Chairperson respectively shall make a decision under Paragraph 3, Item 3 where the postponement of the disclosure under Paragraph 3, Item 1 or the disclosure of the information under Paragraph 1, Item 2 are not sufficient to ensure that the stability of the financial markets will not be exposed to risk or where the effect from the publication of the information would be disproportionate to the gravity of the violation.

(5) (New, SG No. 102/2019) When the grounds under Paragraph 3 cease to apply the Commission and the Deputy Chairperson respectively shall fully disclose the information under Paragraph 1.

(6) (New, SG No. 102/2019) The Deputy Chairperson shall disclose any information relating to appeal of the coercive administrative measures and the penalty decrees which have been disclosed. Subject to disclosure shall also be the decisions repealing the coercive administrative measures or the penalty decrees.

(7) (Renumbered from Paragraph (5), amended, SG No. 102/2019, SG No. 65/2023) The Commission shall ensure that the information published under Paragraphs 1 – 6 remains on its website for at least five years, subject to compliance with the personal data protection requirements.

(8) (Renumbered from Paragraph (6), amended, SG No. 102/2019) The Commission and the Deputy Chairperson respectively shall notify ESMA of each measure enforced or penalty imposed, which have been published in accordance with Paragraph 1, simultaneously with its publication.

(9) (Renumbered from Paragraph (7), SG No. 102/2019) The Commission shall provide annually summary information to ESMA on the measures imposed or the penalties enforced for violation of the provisions of this Act and of the instruments for its implementation.

SUPPLEMENTARY PROVISIONS

§ 1. Within the meaning of this Act:

1. "Member State" is a member state of the European Union or other country which is a party to the Agreement on the European Economic Area.

2. "Home Member State" shall mean:

a) for a management company - the member state in which it is having its seat;

b) for a collective investment scheme - the member state whose competent authority has granted the licence, the authorisation for conducting business, respectively;

c) (new, SG No. 109/2013, effective 20.12.2013) for an alternative investment fund manager - the Member State where its seat is located, respectively the Member State of reference - for an alternative investment fund manager having its seat in a third country;

d) (new, SG No. 109/2013, effective 20.12.2013) for an alternative investment fund - the Member State whose competent authority has issued the authorisation for pursuing business, or in which it was registered for the first time, and where there is no authorisation or registration - the Member State where its seat and/or headquarters are located.

3. "Subsidiary" is a subsidiary within the meaning of § 1, item 10 of the supplementary provisions of the Supplementary Supervision of Financial Conglomerates Act.

4. "Units of collective investment schemes" are financial instruments issued by a collective investment scheme, which represent the rights of the holders in the assets of such collective investment scheme. Units of collective investment schemes also means shares of a collective investment scheme.

5. "Investor" is an investor within the meaning of § 1, item 1 of the supplementary provisions of the Public Offering of Securities Act.

6. "Money market instruments" are instruments normally traded on the money market, which are liquid and whose value can be determined at any time.

7. (Supplemented, SG No. 109/2013, effective 20.12.2013) "Qualifying holding" is a direct or indirect holding in a management company, an alternative investment fund manager respectively, which represents 10 per cent or more of the capital or of the voting rights in the general meeting, determined under Article 145 and Article 146 of the Public Offering of Securities Act, or which makes it possible to exercise a significant influence over the management of that company.

8. "Client" is any natural person or legal entity and any company, including a collective investment scheme, whose activity is managed by a management company or which uses the services under Article 86, Paragraph 2.

9. (Amended, SG No. 109/2013, effective 20.12.2013) "Branch" of a management company, respectively of an alternative investment fund manager shall be a place of business which is a non-personified part of the management company, respectively of the alternative investment fund manager and which provides the services for which the management company, respectively of the alternative investment fund manager has been licensed.

10. "Collective investment scheme" is an undertaking organised as investment company, common fund or unit trust, which has been granted licence for conducting business in accordance with Directive 2009/65/EC.

11. (Amended, SG No. 109/2013, effective 20.12.2013) "Competent authorities" are the authorities of the relevant country, which have supervisory powers over the respective institution.

12. "Control" is control within the meaning of § 1, item 8 of the supplementary provisions of the Supplementary Supervision of Financial Conglomerates Act.

13. "Net asset value" shall be the sum total of all assets in the portfolio of a collective investment scheme, less the value of all obligations.

14. "Repeated violation" shall be any violation which is committed within one year after entry into force of a penalty decree whereby the offender was penalized for a violation of the same kind.

15. "Fixed costs" are the sum total of charged depreciation costs, rents, compulsory insurance, real estate taxes and charges, remunerations of the members of management and controlling bodies and other costs which do not depend on the volume of the conducted business.

16. "Parent company" is a parent company within the meaning of § 1, item 9 of the supplementary provisions of the Supplementary Supervision of Financial Conglomerates Act.

17. "Transferable securities" means:

a) shares in companies and other securities equivalent to shares in companies;

b) bonds and other forms of securitised debt (debt securities);

c) any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange.

18. "Host Member State" is:

a) for a management company - a member state other than a member state within the meaning of item 2, letter "a", and in which the management company has a branch or provides services;

b) for a collective investment scheme - a member state other than a member state within the meaning of item 2, letter "b", and in which the units of the collective investment scheme are offered;

c) (new, SG No. 109/2013, effective 20.12.2013) for an alternative investment fund manager:

aa) a Member State, other than the home Member State, in which an alternative investment fund manager having its seat in a Member State manages an alternative investment fund established in a Member State;

bb) a Member State, other than the home Member State, in which an alternative investment fund manager having its seat in a Member State markets units or shares of an alternative investment fund established in a Member State;

cc) a Member State, other than the home Member State, in which an alternative investment fund manager having its seat in a Member State markets units or shares of an alternative investment fund established in a third country;

dd) a Member State, other than the home Member State, in which an alternative investment fund manager having its seat in a third country manages an alternative investment fund established in a Member State;

ee) a Member State, other than the home Member State, in which an alternative investment fund manager having its seat in a third country markets units or shares of an alternative investment fund established in a Member State;

ff) a Member State, other than the home Member State, in which an alternative investment fund manager having its seat in a third country markets units or shares of an alternative investment fund established in a third country;

gg) (new, SG No. 42/2016) a Member State other than the home Member State in which a person managing alternative investment funds having its seat in a Member State, provides the services set out in Article 198, Paragraph 5.

19. "Unit-holder" is any natural person or legal entity, which holds one or more units in a collective investment scheme.

20. (Amended, SG No. 15/2018, effective 16.02.2018) "Related parties" are persons within the meaning of § 1, item 27 of the supplementary provisions of the Markets in Financial Instruments Act.

21. "Systematic violation" is in place where three or more administrative violations of this Act or of the instruments for its application are committed within one year.

22. "Durable medium" is an instrument which enables an investor to store information that is personally addressed to that investor in a way that is accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored.

23. (Supplemented, SG No. 42/2016) "Third country" is a country other than a Member State within the meaning of item 1.

24. (Amended, SG No. 15/2018, effective 16.02.2018) "Financial instruments" shall mean the financial instruments within the meaning of Article 4 of the Markets in Financial Instruments Act.

25. (New, SG No. 109/2013, effective 20.12.2013, amended, SG No. 15/2018, effective 16.02.2018) An "exchange-traded fund" is a collective investment scheme, which has at least one class of units or shares listed for trading and traded on a regulated market under Article 152, Paragraphs 1 and 2 of the Markets in Financial Instruments Act, or on a multilateral trading system under § 1, item 17, of the Additional Provisions of the Markets in Financial Instruments Act throughout the whole trading session of the relevant market, and for which a contract has been concluded with at least one market-maker for the shares or units, which ensures maintaining of a stock exchange price of the shares or units, which does not significantly differ from the net value of the assets, the indicative net value of the assets, respectively.

26. (New, SG No. 109/2013, effective 20.12.2013) "Indicative net asset value" is a measure of the intraday net asset value of an exchange-traded fund based on the most updated data.

27. (New, SG No. 109/2013, effective 20.12.2013, amended, SG No. 76/2016, effective 30.09.2016) An "actively managed exchange-traded fund" is an exchange-traded fund managed in accordance with the objectives and policy of the collective investment scheme, in the management of which no particular index is mirrored.

28. (New, SG No. 76/2016, effective 30.09.2016) A "passively managed exchange-traded fund" is an exchange-traded fund managed in accordance with the objectives and policy of the collective investment scheme, with composition and structure of the portfolio, which physically reproduce major indexes on regulated markets of Member States or assimilated regulated markets of third countries.

29. (New, SG No. 109/2013, effective 20.12.2013, renumbered from Item 28, SG No. 76/2016, effective 30.09.2016) "Leverage" is any method by which an alternative investment fund manager increases the exposure of an alternative investment fund it manages whether through borrowing of cash or securities, through leverage embedded in derivative positions or in any other way;

30. (New, SG No. 109/2013, effective 20.12.2013, renumbered from Item 29, SG No. 76/2016, effective 30.09.2016) A "feeder alternative investment fund" is an alternative investment fund which:

a) invests at least 85 per cent of its assets in another alternative investment fund (master alternative investment fund);

b) invests at least 85 per cent of its assets in more than one master alternative investment funds which have identical investment strategies; or

c) has otherwise an exposure of at least 85 per cent of its assets to a master alternative investment fund.

31. (New, SG No. 109/2013, effective 20.12.2013, renumbered from Item 30, SG No. 76/2016, effective 30.09.2016) "Master alternative investment fund" is an alternative investment fund in which another alternative investment fund invests or has an exposure to, in accordance with item 29.

32. (New, SG No. 109/2013, effective 20.12.2013, renumbered from Item 31, SG No. 76/2016, effective 30.09.2016) "Country of establishment of an alternative investment fund" is the country where the alternative investment fund has been granted an authorization or is registered, and if it has not been granted an authorization or is not registered respectively - the country where its seat and/or headquarters are located.

33. (New, SG No. 109/2013, effective 20.12.2013, renumbered from Item 32, SG No. 76/2016, effective 30.09.2016) A "Member State of reference" is the Member State determined in accordance with Article 207.

34. (New, SG No. 109/2013, effective 20.12.2013, renumbered from Item 33, SG No. 76/2016, effective 30.09.2016) A "prime broker" is a credit institution, an investment intermediary or another entity subject to relevant regulation and supervision, which offers services to professional investors primarily to finance or execute transactions in financial instruments as counterparty and which in addition may also offer other functions such as clearing and settlement of trades, custodial services, securities lending, customised technical services and operational support facilities.

35. (New, SG No. 109/2013, effective 20.12.2013, renumbered from Item 34, SG No. 76/2016, effective 30.09.2016) A "holding company" is a company investing in one or more other companies with the purpose of pursuing one or more business strategies through its subsidiaries, associated companies or companies in which it has holdings, in order to increase their long-term value, and which meets one of the following requirements:

a) (amended, SG No. 15/2018, effective 16.02.2018) operates on its own account and its shares are admitted to trading on a

regulated market under Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act;

b) its main purpose is not to generate returns for its investors by means of divestment of its subsidiaries or associated companies, and this circumstance is disclosed in its annual report or other official documents.

36. (New, SG No. 109/2013, effective 20.12.2013, renumbered from Item 35, SG No. 76/2016, effective 30.09.2016) "Marketing" is any direct or indirect offering to or placement at the initiative or on behalf of a management company or an alternative investment fund manager respectively, of units or shares of a collective investment scheme, alternative investment fund respectively, it manages with investors domiciled or having its seat in the territory of the European Union.

37. (New, SG No. 109/2013, effective 20.12.2013, renumbered from Item 36, SG No. 76/2016, effective 30.09.2016) "Deferred remuneration" is remuneration paid to an alternative investment fund manager for the services performed by it in relation to the management of an alternative investment fund from the profit of the alternative investment fund managed. The return on the investments in the alternative investment fund of the person managing it shall not be deemed remuneration.

38. (New, SG No. 109/2013, effective 20.12.2013, renumbered from Item 37, SG No. 76/2016, effective 30.09.2016, amended, SG No. 15/2018, effective 16.02.2018) "Market-maker" is a person within the meaning of § 1, item 7, of the Additional Provisions of the Markets in Financial Instruments Act.

39. (New, SG No. 16/2022) "Financial intermediary" is a person who has been authorized by a competent authority of a Member State to operate as a management company, an alternative investment fund manager, an investment intermediary, a tied agent or a credit institution, or another person marketing units or shares of a collective investment scheme or an alternative investment fund, which is subject to supervision by a competent authority of a Member State.

40. (New, SG No. 16/2022) "Non-bank financial sector undertaking" is a concept within the meaning of § 1, item 81 of the additional provisions of the Markets in Financial Instruments Act.

41. (New, SG No. 25/2022, effective 8.07.2022) "Covered bonds" shall have the meaning assigned to this term in Article 2 of the Covered Bonds Act or shall be bonds issued prior to the 8th day of 2022 by a credit institution which has its registered office in a Member State, which is subject to supervision designed to protect bondholders, including the requirement that sums deriving from the bond issue be invested in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the payment of the obligations to the bondholders.

§ 2. (Amended, SG No. 21/2012) The Act transposes the requirements of:

1. Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ, L 302/32 of 17 November 2009).

2. Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory Authority (European Banking Authority), the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority) (OJ, L 331/120 of 15 December 2010).

3. (New, SG No. 109/2013, effective 20.12.2013) Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010 (OJ, L 174/1 of 1 July 2011).

4. (New, SG No. 22/2015, effective 24.03.2015) Directive 2013/14/EU of the European Parliament and of the Council of 21 May 2013 amending Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision, Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of over-reliance on credit ratings (OJ, L 145/1 of 31.05.2013).

5. (New, SG No. 76/2016, effective 30.09.2016) 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 (OJ, L 257/186 of 28.8.2014).

6. (New, SG No. 26/2020) Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (OJ L 132/1 of 20.5.2017).

7. (New, SG No. 16/2022) Directive (EU) 2019/1160 of the European Parliament and of the Council of 20 June 2019 amending Directives 2009/65/EC and 2011/61/EU with regard to cross-border distribution of collective investment undertakings (OJ L 188,106 of 12 July 2019).

8. (New, SG No. 51/2022) Directive (EU) 2021/2261 of the European Parliament and of the Council of 15 December 2021 amending Directive 2009/65/EC as regards the use of key information documents by management companies of undertakings for collective investment in transferable securities (UCITS) (OJ L 455/15 of 20 December 2021).

§ 2a. (New, SG No. 42/2016) This Act provides measures for enforcement of:

1. Regulation (EU) No. 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds;

2. Regulation (EU) No. 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds;

3. Regulation (EU) No. 2015/760 of the European Parliament and of the Council of 29 April 2013 on European long-term investment funds.

4. (New, SG No. 102/2019) Regulation (EU) 2017/1131 of the European Parliament of the Council of 14 June 2017 on money market funds.

5. (New, SG No. 16/2022) Regulation 2019/1156 of the European Parliament and of the Council of 20 June 2019 on facilitating cross-border distribution of collective investment undertakings and amending Regulations (EU) No. 345/2013, (EU) No. 346/2013 and (EU) No. 1286/2014 (OJ, L 188/55 of 12 July 2019).

6. (New, SG No. 16/2022) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability?related disclosures in the financial services sector (OJ, L 317/1 of 9 December 2019).

TRANSITIONAL AND FINAL PROVISIONS

§ 3. Collective investment schemes shall replace the short prospectus with a document containing key investor information under Article 57 not later than 1 July 2012.

§ 4. Open-end investment companies shall shift to one-tier management by 1 July 2012.

§ 5. Open-end investment companies shall sell, at a price not lower than their market price, all movables and immovables owned thereby, which have been acquired under the procedure of the repealed Article 195, Paragraph 3 of the Public Offering of Securities Act, by 1 July 2012.

§ 6. Until preparing a list under Article 35, Paragraph 1 the list of depository banks under the procedure of the repealed Article 173, Paragraph 9 of the Public Offering of Securities Act shall remain in force.

§ 7. The Financial Supervision Commission shall adopt the ordinances on the application of this Act.

§ 8. The Financial Supervision Commission Act (prom., SG No. 8/2003; amended, No. 31, 67 and 112/2003, No. 85/2004, No. 39, 103 and 105/2005, No. 30, 56, 59 and 84/2006, No. 52, 97 and 109/2007, No. 67/2008, No. 24 and 42/2009 and No. 43 and 97/2010) shall be amended and supplemented as follows:

1. In Article 1, Paragraph 2, item 1 the words "investment and management companies" shall be replaced by "collective investment schemes and closed-end investment companies and management companies", after the words "the Special Investment Purpose Companies Act" the conjunction "and" shall be replaced by a comma and finally shall be added "and the Collective Investment Schemes and Other Undertakings for Collective Investments Act".

2. In Article 12, item 2 after the words "the Special Investment Purpose Companies Act", a comma shall be inserted and the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added.

3. In Article 13:

a) in Paragraph 1:

aa) in item 4 after the words "the Markets in Financial Instruments Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added and a comma shall be inserted;

bb) in item 5 after the words "the Markets in Financial Instruments Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added and a comma shall be inserted;

cc) in item 6 after the words "the Markets in Financial Instruments Act" a comma shall be inserted and the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

dd) in item 8 after the words "the Public Offering of Securities Act" a comma shall be inserted and the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

ee) in item 10 after the words "the Markets in Financial Instruments Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added and a comma shall be inserted;

ff) in item 11 after the words "the Markets in Financial Instruments Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added and a comma shall be inserted;

b) in Paragraph 2 after the words "the Markets in Financial Instruments Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added and a comma shall be inserted.

4. In Article 15:

a) in Paragraph 1:

aa) in item 2 after the words "the Public Offering of Securities Act" the conjunction "and" shall be replaced by a comma and after the words "the Markets in Financial Instruments Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

bb) in item 3 after the words "the Public Offering of Securities Act" the conjunction "and" shall be replaced by a comma and after the words "the Markets in Financial Instruments Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

cc) in item 4 after the words "chapter one of the Markets in Financial Instruments Act" a comma shall be inserted and the words "under part four, chapter nineteen of the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

dd) in item 5 after the words "in the cases under Article 212, Paragraph 4 of the Public Offering of Securities Act" a comma shall be inserted and the words "under Article 195, Paragraph 3 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added, and after the words "under Article 212, Paragraph 1, item 1 of the Public Offering of Securities Act" a comma shall be inserted and the words "under Article 195, Paragraph 3 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

ee) in item 6 after the words "the Measures against Market abuse with Financial instruments Act" a comma shall be inserted and the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

ff) in item 7 after the words "the Measures against Market Abuse with Financial instruments Act" a comma shall be inserted and the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

gg) in item 9 the words "the investment companies" shall be replaced by the words "the collective investment schemes and close-end investment companies";

hh) in item 15 after the words "the Market in Financial Instruments Act" a comma shall be inserted and the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added, and the words

"securities market regulation and control" shall be replaced by "financial instruments market regulation and control";

b) in Paragraph 2:

aa) in letter "a" after the words "the Public Offering of Securities Act" the conjunction "and" shall be replaced by a comma, and after the words "the Markets in Financial Instruments Act" the words "and the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

bb) in letter "b" the words "the Public Offering of Securities Act" shall be replaced by the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act", and the words "investment company" shall be replaced "collective investment scheme and closed-end investment company".

5. In Article 18:

a) in Paragraph 1:

aa) in item 1 after the words "the Public Offering of Securities Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added and a comma shall be inserted;

bb) in item 6 after the words "the Public Offering of Securities Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added and a comma shall be inserted;

b) in Paragraph 3 after the words "the Public Offering of Securities Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added and a comma shall be inserted.

6. In Article 19, Paragraph 2, item 1 after the words "the Public Offering of Securities Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added and a comma shall be inserted.

7. In Article 24, Paragraph 5, item 1 after the words "the Public Offering of Securities Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added and a comma shall be inserted.

8. In Article 27, Paragraph 1, item 1 after the words "the Public Offering of Securities Act" the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added and a comma shall be inserted.

9. In Article 30, Paragraph 1:

a) item 4 shall be amended as follows:

"4. collective investment schemes;"

b) in item 5 the words "and contract funds managed by them" shall be deleted;

c) a new item 6 shall be created:

"6. closed-end investment companies;"

d) existing items 6, 7, 8, 9, 10, 11, 12 and 13 shall become items 7, 8, 9, 10, 11, 12, 13 and 14, respectively.

§ 9. The Special Investment Purpose Companies Act (prom., SG No. 46/2003; amended, No. 109/2003, No. 107/2004, No. 34, 80 and 105/2006 and No. 52 and 53/2007) shall be amended and supplemented as follows:

1. In Article 9, Paragraph 4 the words "Article 173 of the Public Offering of Securities Act" shall be replaced by "Article 28 and chapter five of the Collective Investment Schemes and Other Undertakings for Collective Investments Act ".

2. In Article 11, Paragraph 3, item 1 after the words "the Public Offering of Securities Act" a comma shall be inserted and the words "of the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added.

3. In Article 29, Paragraph 1 the words "Article 177, Paragraphs 4 and 5 of the Public Offering of Securities Act" shall be replaced by "Article 144, Paragraphs 3 and 4 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act".

4. In § 2 of the transitional and final provisions after the words "the Public Offering of Securities Act" a comma shall be added

and the words "of the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added.

§ 10. The Markets in Financial Instruments Act (prom., SG No. 52/2007; amended, No. 109/2007, No. 69 of 2008, No. 24, 93 and 95/2009 and No. 43/2010) shall be amended and supplemented as follows:

1. In Article 11, Paragraph 2:

a) in item 8 after the words "the Special Investment Purpose Companies Act" a comma shall be inserted and the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

b) in item 9 after the words "the Special Investment Purpose Companies Act" a comma shall be inserted and the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

c) in item 10 after the words "the Public Offering of Securities Act" a comma shall be inserted and the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added.

2. In Article 20:

a) in Paragraph 1, item 4 after the words "the Special Investment Purpose Companies Act" a comma shall be inserted and the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

b) in Paragraph 2, item 4 after the words "the Special Investment Purpose Companies Act" a comma shall be inserted and the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" shall be added;

3. In Article 26c, Paragraph 3, item 2 the words "Directive 85/611/EEC" shall be replaced by "Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OB, L 302/32 of 17 November 2009), hereinafter referred to as "Directive 2009/65/EC".

4. In Article 34, Paragraph 3, item 4 the words "Directive 85/611/EEC of the Council" shall be replaced by "Directive 2009/65/EC".

5. In § 1, item 18 of the supplementary provisions the words "the Public Offering of Securities Act" shall be replaced by the words "the Collective Investment Schemes and Other Undertakings for Collective Investments Act" and the words "Directive 85/611/EEC of the Council" shall be replaced by "Directive 2009/65/EC".

§ 11. § 1 of the supplementary provisions in the Supplementary Supervision of Financial Conglomerates Act (prom., SG No. 59/2006; amended, No. 52/2007) shall be amended as follows:

1. In item 4 the words "Article 202, Paragraph 1 of the Public Offering of Securities Act" shall be replaced by "Article 86, Paragraph 1 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act".

2. In item 19, the letter "c" the words "Article 203, Paragraph 1 of the Public Offering of Securities Act" shall be replaced by "Article 90, Paragraphs 1 and 2 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act".

3. In item 20, letter "c" the words "the Public Offering of Securities Act" shall be replaced by "the Collective Investment Schemes and Other Undertakings for Collective Investments Act".

§ 12. The Public Offering of Securities Act (prom., SG No. 114/1999; amended, No. 63 and 92/2000, SG No. 28, 61, 93 and 101/2002, No. 8, 31, 67 and 71/2003, No. 37/2004, No. 19, 31, 39, 103 and 105/2005, No. 30, 33, 34, 59, 63, 80, 84, 86 and 105/2006, No. 25, 52, 53 and 109/2007, No. 67 and 69 of 2008, No. 23, 24, 42 and 93/2009, No. 43 and 101/2010 and No. 57/2011) shall be amended and supplemented as follows:

1. In Article 1, Paragraph 1, item 2 the words "of investment and management companies, as well as the conditions for conducting such activities" shall be deleted.

2. In Article 77x, Paragraph 1, item 8 after the words "investment company" a comma shall be inserted and the words "common fund" shall be added.

3. In Article 146:

a) in Paragraph 2 the words "including in an individual portfolio managed by it under Article 202, Paragraph 2, item 1" shall be replaced by "included in a portfolio managed by it pursuant to Article 86, Paragraph 2, item 1 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act";

b) in Paragraph 3, item 2 the words "Directive 85/611/EEC of the Council" shall be replaced by "Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OB, L 302/32 of 17 November 2009), hereinafter referred to as "Directive 2009/65/EC";

c) in Paragraph 5 the words "Article 5 of Directive 85/611/EEC of the Council" shall be replaced by "Article 6 of Directive 2009/65/EC".

4. Title Four "INVESTMENT COMPANIES AND COMMON FUNDS" with Article 164 - 211l shall be repealed.

5. In Title Five chapter twenty Article 216 - Article 220 shall be repealed.

6. In Article 221 the following amendments shall be made:

a) in Paragraph 1:

aa) in item 1 the words "Article 191, Paragraphs 4, 7 and 8 and Article 211κ" shall be deleted;

bb) in item 2 the words "Article 173, Paragraph 12, Article 174, Article 180, Paragraph 3, Article 183, Paragraph 2, Article 184, Paragraph 2, Article 187, Paragraph 4, Article 189, Article 192, Paragraph 3, Article 196, Paragraph 14 and Article 206, Paragraph 2" shall be deleted;

cc) in item 3 the words "Article 164, Paragraph 2, Article 168, Paragraph 3, Article 170, Paragraph 1, Article 173, Paragraph 1, sentence one, and Paragraph 5, Article 177a, Paragraphs 6 and 8, Article 187, Paragraph 3, sentence one, Article 190, Article 191, Paragraph 1 and Paragraph 4, sentence one, Article 193, Paragraph 9, Article 197, Paragraph 3, Article 200, Paragraph 1, Article 202, Paragraphs 9 and 10, Article 210, Article 211a, Paragraphs 1, 5 and 6, Article 211b, Paragraphs 1, 4, 5 and 6, Article 211e, Paragraphs 2, 3 and 4, Article 211f, Paragraphs 1, 2 and 3, Article 211h, Paragraphs 1 and 3, Article 211i, Paragraphs 1 - 3, Article 211l, Paragraphs 1, 2 and 4" shall be deleted;

dd) in item 4 the words "Article 169, Article 170, Paragraph 2, Article 172, Article 173, Paragraph 6, Article 175, Article 176, Article 186, Article 193, Paragraphs 1, 5, 6 and 10, Article 194, Paragraphs 3 and 5, Article 195, Article 196, Paragraphs 1 - 7, 9 - 12, Article 197, Paragraph 1, Article 197b, Paragraphs 3 and 5, Article 199, Article 201, Paragraphs 2 and 5, Article 202, Paragraphs 7 and 8, Article 203, Paragraph 6" shall be deleted;

b) in Paragraph 5 the words "Article 184, Paragraph 1 and Article 206, Paragraph 1" shall be deleted.

7. In § 1 of the supplementary provisions:

a) in item 1, letter "c" the words "investment company, common fund" shall be replaced by "collective investment scheme and closed-end investment company";

b) items 22, 26, 31, 37, 38 and 39 shall be repealed.

8. In § 1c of the supplementary provisions item 1 shall be repealed.

§ 13. The Social Insurance Code (prom., SG No. 110/1999; Decision No. 5 of the Constitutional Court of 2000 - No. 55/2000; amended, No. 64/2000; Nos. 1, 35 and 41/2001, No. 1, 10, 45, 74, 112, 119 and 120/2002, No. 8, 42, 67, 95, 112 and 114/2003, No. 12, 21, 38, 52, 53, 69, 70, 112 and 115/2004, Nos. 38, 39, 76, 102, 103, 104 and 105/2005, No. 17, 30, 34, 56, 57, 59 and 68/2006; corrected, No. 76/2006; amended, No. 80, 82, 95, 102 and 105/2006, No. 41, 52, 53, 64, 77, 97, 100, 109 and 113/2007, No. 33, 43, 67, 69, 89, 102 and 109/2008, No. 23, 25, 35, 41, 42, 93, 95, 99 and 103/2009, No. 16, 19, 43, 49, 58, 59, 88, 97, 98 and 100/2010, Decision No. 7 of the constitutional Court of 2011 - No. 45/2011, amended, No. 60/2011) shall be amended as follows:

1. In Article 123c, Paragraph 4 the words "Article 202 of the Public Offering of Securities Act" shall be replaced by "Article 86 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act ".

2. In Article 176, Paragraph 1, item 4 the words "the Public Offering of Securities Act" shall be replaced by "the Collective

Investment Schemes and Other Undertakings for Collective Investments Act ".

3. In § 1, Paragraph 2, item 16 of the supplementary provision the words "§ 1, item 26 of the supplementary provisions of the Public Offering of Securities Act" shall be replaced by "§ 1, item 10 of the supplementary provisions of the Collective Investment Schemes and Other Undertakings for Collective Investments Act".

§ 14. The Corporate Income Tax Act (prom., SG No. 105/2006; amended, No. 52, 108 and 110/2007, No. 69 and 106/2008, No. 32, 35 and 95/2009, No. 94/2010 and No. 19, 31, 35 and 51/2011) shall be amended as follows:

1. In Article 174 the words "licensed closed-end investment companies under the Public Offering of Securities Act" shall be replaced by "licensed closed-end investment companies under the Collective Investment Schemes and Other Undertakings for Collective Investments Act ".

2. In § 1, item 26, letter "c" of the supplementary provisions the words "the Public Offering of Securities Act" shall be replaced by "the Collective Investment Schemes and Other Undertakings for Collective Investments Act ".

§ 15. The Insurance Code (prom., SG No. 103/2005; amended, No.105/2005, No. 30, 33, 34, 54, 59, 80, 82 and 105/2006, No. 48, 53, 97, 100 and 109/2007, No. 67 and 69/2008, No. 24 and 41/2009, No. 19, 41, 43, 86 and 100/2010 and No. 51 and 60/2011) shall be amended and supplemented as follows:

1. In Article 73, Paragraph 1, item 3 shall be amended as follows:

"3. units issued by collective investment schemes, and shares of closed-end investment companies under the Collective Investment Schemes and Other Undertakings for Collective Investments Act, as well as units of collective investment schemes headquartered in another Member State;".

2. In Article 185:

a) a new Paragraph 4 shall be created:

"(4) When offering Life insurance under Paragraph 1, item 9 related to investment in units of a collective investment scheme, or when advising a client in relation to such insurance, the insurer shall provide the document with the key information about the investors to their clients, in compliance with Article 59, Paragraph 3 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act.";

b) existing Paragraph 4 shall become Paragraph 5 and in it the words "Paragraph 1 or 3" shall be replaced by "Paragraphs 1 and 4 or Paragraph 3";

c) existing Paragraph 5 shall become Paragraph 6 and in it the words "Paragraphs 1 - 4" shall be replaced by "Paragraphs 1 - 5".

3. In appendix No. 1, section I, item 3 the words "the Public Offering of Securities Act" shall be replaced by "the Collective Investment Schemes and Other Undertakings for Collective Investments Act".

§ 16. The Tax and Social Insurance Procedure Code (prom., SG No. 105/2005; amended, No. 30, 33, 34, 59, 63, 73, 80, 82, 86, 95 and 105/2006, No. 46, 52, 53, 57, 59, 108 and 109/2007, No. 36, 69 and 98/2008, No. 12, 32, 41 and 93/2009, No. 15, 94, 98, 100 and 101/2010 and No. 14 and 31/2011) in Article 143p, Paragraph 2 the words "the Public Offering of Securities Act" shall be replaced by "the Collective Investment Schemes and Other Undertakings for Collective Investments Act".

§ 17. The Financial Collateral Arrangements Act (prom., SG No. 68/2006; amended, No. 24/2009 and No. 101/2010) shall be amended as follows:

1. In Article 3, Paragraph 1, item 9 shall be amended as follows:

"9. collective investment scheme and closed-end investment company;".

2. In Article 4, Paragraph 3, item 2 the words "shares and units" shall be replaced by "units of".

§ 18. The Gambling Act (prom., SG No. 51/1999; amended, No. 103/1999, No. 53/2000, No. 1, 102 and 110/2001, No. 75/2002, No. 31/2003, No. 70/2004, No. 79, 94, 95, 103 and 105/2005, No. 30 and 54/2006, No. 109 and 110/2007,

No. 42, 74 and 82/2009, No. 50/2010 and No. 35 and 60/2011) in Article 70 after the words "investment company" the words "management company" shall be added.

§ 19. In the Electronic Trade Act (prom., SG No. 51/2006; amended, No. 105/2006, No. 41/2007 and No. 82/2009) in Article 19, Paragraph 3, item 4 the words "securities issued by investment companies and common funds for collective investment" shall be replaced by "units of collective investment schemes".

§ 20. In the Value Added Tax Act (prom., SG No. 63/2006; amended, Nos. 86, 105 and 108/2006; Decision No. 7 of the Constitutional Court of 2007 - No. 37/2007; amended, No. 41, 52, 59, 108 and 113/2007, No. 106/2008, Nos. 12, 23, 74 and 95/2009, No. 94 and 100/2010 and No. 19/2011) in Article 46, Paragraph 1, item 6 the words "the Public Offering of Securities Act" shall be replaced by "the Collective Investment Schemes and Other Undertakings for Collective Investments Act ".

§ 21. In the Administrative Violations and Sanctions Act (prom., SG No. 92/1969; amended, No. 54/1978, No. 28/1982, No. 28 and 101/1983, No. 89/1986, No. 24/1987, No. 94/1990, No. 105/1991, No. 59/1992, No. 102/1995, No. 12 and 110/1996, No. 11, 15, 59, 85 and 89/1998, No. 51, 67 and 114/1999, No. 92/2000, No. 25, 61 and 101/2002, No. 96/2004, No. 39 and 79/2005, No. 30, 33, 69 and 108/2006, No. 51, 59 and 97/2007, No. 12, 27 and 32/2009 and No. 10, 33, 39 and 60/2011) in Article 34, Paragraph 1 in sentence two a comma shall be inserted after the words "securities" and the words "the Market in Financial Instruments Act, the Special Investment Purpose Companies Act, the Market Abuse with Financial Instruments Act, the Collective Investment Schemes and Other Undertakings for Collective Investments Act, part two, part two "a" and part three of the Social Insurance Code" shall be added.

§ 22. In the Credit Institutions Act (prom., SG No. 59/2006; amended, No. 105/2006, No. 52, 59 and 109/2007, No. 69/2008, No. 23, 24, 44, 93 and 95/2009 and No. 94 and 101/2010) in Article 57 Paragraph 5 shall be created:

"(5) Where a bank offers a deposit whose interest rate is linked to the return on investment in units of a collective investment scheme, or advises its clients in relation to such deposit, the bank shall provide the key investor information to its clients in compliance with Article 59, Paragraph 3 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act. Upon established violation under sentence one, the Bulgarian National Bank shall notify the Financial Supervision Commission."

This Act was adopted by the 41st National Assembly on 20 September 2011 and was stamped with the official stamp of the National Assembly.

TRANSITIONAL AND FINAL PROVISIONS

to the Act on Amendment and Supplement of the Collective Investment

Schemes and Other Undertakings for Collective Investments Act

(SG No. 109/2013, effective 20.12.2013)

§ 73. Collective investment schemes, the units or shares of which are admitted to trading in a regulated market, shall bring their activities in compliance with the requirements to trading in the marketed shares or units within a 6-month term from the effectiveness of this Act.

§ 74. Close-ended investment companies shall bring their activities in compliance with the requirements of Part Three, Title One, within a 6-month term from the effectiveness of this Act.

§ 75. Managers of alternative investment funds under Article 214 shall file an application for registration under Chapter Twenty within an one-month term from the effectiveness of this Act.

§ 76. Managers of alternative investment funds, for which as of the time of effectiveness of this Act a requirement arises to have a licence, shall file an application for issuance of a licence under Chapter Twenty by 22 July 2014.

§ 77. Managers, which as of the time of effectiveness of this Act manage only close-ended alternative investment funds, may

continue to pursue activities, without any need to have a licence issued to them for this purpose, provided after the effectiveness of this Act they shall make no further investments.

§ 78. Managers which as of the time of effectiveness of this Act, manage only close-ended alternative investment funds, established for a term which expires not later than 22 July 2016 and for which new investors are attracted, may continue to pursue activities, without any need to have a licence issued to them for this purpose. For the persons under the first sentence, the provisions of Article 234, Article 235, and Article 237, Paragraph 1, item 13, shall apply.

§ 79. The requirements with regard to marketing of units or shares of alternative investment funds by an alternative investment fund manager having its seat in a Member State shall not apply to the offerings based on a prospectus under Chapter Six of the Public Offering of Securities Act, which have started before 22 July 2013, for the validity term of the prospectus.

.....

§ 91. Chapter Twenty, Section III, shall apply from the date set by the European Commission pursuant to Article 67 of Directive 2011/61/EU.

§ 92. Marketing of alternative investment funds from a third country and marketiing of units or shares by alternative investment fund managers having their seat in a third country, except in the cases under Article 241 and Article 251, shall be allowed from the date set by the European Commission pursuant to Article 67 of Directive 2011/61/EU. Articles 241 and 251, respectively, shall apply to the date set as per the first sentence.

§ 93. From the time of effectiveness of this Act to the submission of the opinion of ESMA under Article 67, Paragraph 1, letter "a" of Directive 2011/61/EU, the Commission shall quarterly provide to ESMA the required information about the alternative investment fund managers, which manage and/or market alternative investment funds under the supervision of the Commission, both within the framework of application of the passport regime under Directive 2011/61/EU, and within the national regime.

§ 94. By 22 July 2014, the Commission shall notify the European Commission and ESMA of the types of alternative investment funds, which may be marketed to non-professional investors and the additional requirements for this in the cases under Article 242, Paragraph 2 and Article 250, Paragraph 2. The Commission shall also notify the European Commission and ESMA about any subsequent amendments in the cases under the first sentence.

§ 95. This Act shall come into effect from the date of its promulgation in the State Gazette, with the exception of § 88, 89 and 90, which shall come into effect from 1 January 2014.

FINAL PROVISIONS

to the Act on Amendment and Supplementing the Collective Investment

Schemes and Other Undertakings for Collective Investments Act

(SG No. 22/2015, effective 24.03.2015)

.....

§ 7. (1) Within one month of the entry into effect of this Act the Deputy Chairperson of the Financial Supervision Commission, responsible for the Social Insirance Supervision Directorate, shall determine by order the minimum content of the investment policy under Article 175a of the Social Insurance Code.

(2) Within one month of the entry into effect of the decision under paragraph 1 the pension insurance companies shall submit to the Financial Supervision Commission the rules for the procedures for risk monitoring, measurement and management and the investment policies of the supplementary pension insurance funds, managed by them.

.....

TRANSITIONAL AND FINAL PROVISIONS

to the Implementation of the Measures against Market Abuse with Financial Instruments Act

(SG No. 76/2016, effective 30.09.2016)

.....

§ 5. Persons who operate in the field of financial services shall adopt the rules referred to in Article 9 (2) within three months of the entry into force of this Act.

.....

§ 12. (1) Management companies and collective investment schemes shall bring their operations in line with the requirements of § 6 within three months of the entry of this Act into force.

(2) A management company, which prior to the entry of this Act into force has appointed a depositary of a collective investment scheme, which does not satisfy the requirements provided for in Item 13 of § 6, shall appoint a new depositary complying with the requirements of the Act by 18 March 2018.

.....

TRANSITIONAL AND FINAL PROVISIONS

to the Markets in Financial Instruments Act

(SG No. 15/2018, effective 16.02.2018)

.....

§ 42. This Act shall enter into force from the date of its promulgation in the State Gazette, with the exception of:

1. Article 222, paragraphs 1 - 3, which shall enter into force on 3 September 2019;

2. § 13, item 12, letter "a", which shall enter into force on 1 January 2018;

3. § 13, item 12, letter "b", which shall enter into force on 21 November 2017;

4. § 17, item 37 regarding Article 264a and item 39 concerning Article 273b, which shall enter into force on 1 January 2020.

TRANSITIONAL AND FINAL PROVISIONS

to the Measures Against Money Laundering Act

(SG No. 27/2018)

.....

§ 22. The common funds and national investment funds existing upon the entry into force of this Act shall be registered into the BULSTAT Register under Article 17 (2), Article 177 (8) and Article 197 (13) of the Collective Investment Schemes and Other Undertakings for Collective Investments Act within six months from the entry into force of this Act.

.....

TRANSITIONAL AND FINAL PROVISIONS

to the Act Amending and Supplementing the Collective Investment

Schemes and Other Undertakings for Collective Investments Act

(SG No. 102/2019)

§ 69. (1) Investment companies and depositaries shall bring their activities in compliance with the requirements of Article 10a or Article 37, Paragraph 8, as the case may be, within 4 months from the entry into force of this Act.

(2) Management companies shall bring their management and representation in compliance with the requirements of this Act within 6 months from its entry into force.

(3) Collective investment schemes, taking into account the interests of the unit-holders, shall bring their assets in compliance

with the requirements of Article 49, Paragraph 1 within 6 months from the entry into force of this Act.

.....

FINAL PROVISIONS

to the Act to Amend and Supplement

the Public Offering of Securities Act

(SG No. 26/2020)

.....

§ 29. (1) Within six months of the entry of this Act into force, the persons referred to in Article 105a(1) and Article 219a(1) of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall adopt and publish an engagement policy or decide not to adopt an engagement policy, and shall publish detailed reasons why this is the case.

(2) The information set out in Article 105a(3) and in Article 105b of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be disclosed for the first time by 31 March 2021.

.....

TRANSITIONAL AND FINAL PROVISIONS

to the Act on the Measures and Actions during the State of Emergency

Declared by a Resolution of the National Assembly of 13 March 2020

(SG No. 28/2020, effective 13.03.2020)

.....

§ 47. In 2020:

1. the time limits referred to in Item 1 of Article 60 (1), Article 92 (1) and Item 1 of Article 191 (2) of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be extended until the 31st day of July 2020;

2. the time limits referred to in Item 2 of Article 60 (1), Article 92 (2) and Item 2 of Article 191 (2) of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be extended until the 30th day of September 2020;

3. the obligation referred to in sentence two of Article 64 (2) of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be fulfilled within seven working days from the end of the relevant reporting period;

4. the period referred to in Article 52 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be extended to 20 days from the commission of the violation;

5. the period referred to in Article 51 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be extended to seven months from the occurrence of the violation.

.....

§ 52. This Act shall enter into force on the 13th day of March 2020 with the exception of Article 5, § 3, § 12, § 25 – 31, § 41, § 49 and § 51 which shall enter into force as from the day of the promulgation of this State Gazette and shall be applicable until the abrogation of the state of emergency.

FINAL PROVISIONS

of the Act to Amend and Supplement the Act on the Business of Collective

Investment Schemes and Other Undertakings for Collective Investments Act

(SG No. 16/2022)

§ 38. Within three months of entry into force of this Act the Financial Supervision Commission shall accordingly adapt the ordinance referred to in Article 33 (1) hereof.

.....

TRANSITIONAL AND FINAL PROVISIONS

to the Covered Bonds Act

(SG No. 25/2022, effective 8.07.2022)

.....

§ 7. The Collective Investment Schemes and Other Undertakings for Collective Investments Act (promulgated in the State Gazette No. 77 of 2011; amended in No. 21 of 2012, No. 109 of 2013, No. 27 of 2014, Nos. 22 and 34 of 2015, Nos. 42, 76 and 95 of 2016, Nos. 62, 95 and 103 of 2017, Nos. 15, 20, 24, 27 and 77 of 2018, Nos. 83, 94 and 102 of 2019, Nos. 26, 28 and 64 of 2020, Nos. 12 and 21 of 2021 and No. 16 of 2022) shall be amended and supplemented as follows:

.....

§ 19. (1) This Act shall enter into force on the 8th day of July 2022, with the exception of the provisions of second sentence of Article 6 (4), Article 26 (6), Article 32 (5), Article 44 (5) in connection with § 3, which shall enter into force on the date of promulgation of the Act in the State Gazette.

(2) § 9 herein regarding the amendments to the Bank Bankruptcy Act shall not apply to any bankruptcy proceedings which have been initiated by the date of entry into force of this Act.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Market in Financial Instrument Act

(SG No. 25/2022, effective 29.03.2022)

.....

§ 82. The Collective Investment Schemes and Other Undertakings for Collective Investments Act (promulgated in the State Gazette No. 77 of 2011; amended in No. 21 of 2012, No. 109 of 2013, No. 27 of 2014, Nos. 22 and 34 of 2015, Nos. 42, 76 and 95 of 2016, Nos. 62, 95 and 103 of 2017, Nos. 15, 20, 24, 27 and 77 of 2018, Nos. 83, 94 and 102 of 2019, Nos. 26, 28 and 64 of 2020, Nos. 12 and 21 of 2021 and No. 16 of 2022) shall be amended and supplemented as follows:

.....

§ 94. This Act shall enter into force on the day of its publication in the State Gazette with the exception of § 79, items 1, 4 and 9, letter "a", which came into force on 19 October 2022.

FINAL PROVISIONS

to the Act Amending and Supplementing the Public Offering of Securities Act

(SG No. 51/2022)

.....

§ 30. The Collective Investment Schemes and Other Undertakings for Collective Investments Act (promulgated in the State Gazette No. 77 of 2011; amended in No. 21 of 2012, No. 109 of 2013, No. 27 of 2014, Nos. 22 and 34 of 2015, Nos. 42, 76 and 95 of 2016, Nos. 62, 95 and 103 of 2017, Nos. 15, 20, 24, 27 and 77 of 2018, Nos. 83, 94 and 102 of 2019, Nos. 26, 28 and 64 of 2020, Nos. 12 and 21 of 2021 and Nos. 16 and 25 of 2022) shall be amended and supplemented as follows:

.....

(*) 8. Everywhere the words "the Special Purpose Investment Companies and Securitization Companies Act" shall be replaced by "the Special Purpose Investment Companies and Securitization Companies Act".

_____

(*) Translators note - This amendment concerns additional preposition does not affect the English version.

.....

§ 32. (1) § 21, item 11, littera "c" shall enter into force on 1 March 2023.

(2) Item 1 and 2 of § 30 herein shall enter into force on the 1st day of January 2023.