

ORDINANCE No. 44 of 20.10.2011 on the requirements to the activity of collective investment schemes, their management companies, national investment funds, alternative investment funds and alternative investment fund managers (Title amended – State Gazette, No. 63 /2016; supplemented No. 55 /2022)

Prom. – State Gazette, No. 85 / 01.11.2011, effective from 01.11.2011; amended No. 52 / 10.07.2015, amended and supplemented No. 63 / 12.08.2016, amended and supplemented No. 55 /15.07.2022, amended and supplemented No. 36 / 21.04.2023, amended and supplemented No. 38 / 28.04.2023.

Adopted by Decision No. 129-H of 20 October 2011 of the Financial Supervision Commission

Chapter One

GENERAL PROVISIONS

Art. 1. (Amended in full - State Gazette No. 63 /2016; amended and supplemented, No. 55 /2022) (1) This ordinance sets out:

1. the content of contracts of the investment company with the management company and those of the national investment company with the manager;
2. (amended – State Gazette, No. 55/ 2022) the content of the contract with the depository regarding the management of national investment funds, and alternative investment funds; liquidity of collective investment schemes and national investment funds, and the additional requirements to the transferable securities, money market tools, and other assets, in which collective investment schemes and national investment funds can invest;
4. the method and procedure of evaluation of the assets and liabilities of collective investment schemes and national investment funds, for calculation of net asset value, calculation of issue value and redemption price of units of collective investment schemes and national investment funds;
5. the activity of issuing, sale, and redemption of units of collective investment schemes and national investment funds;
6. (amended – State Gazette, No. 55/2022) the content of the prospectus, key investor information document, reports and marketing communications;
7. the activity and requirements to master-feeder collective investment scheme structures;
8. conversion and winding up of collective investment schemes, management companies, alternative investment fund managers, and national investment funds;
9. (Supplemented – State Gazette, No. 55/2022) other requirements to the activity of collective investment schemes, management companies, alternative investment funds, alternative investment fund managers, and national investment funds intended to protect investors' interests;
10. requirements for the organisation and activity of management companies, their capital adequacy and liquidity;
11. requirements for the activity of national investment funds;
12. requirements for the activity of alternative investment fund managers regarding the funds managed by them;
13. the procedure of reviewing of complaints from the management company and from the alternative investment fund manager.

Chapter two

REQUIREMENTS FOR THE ACTIVITY OF COLLECTIVE INVESTMENT SCHEMES

Section I

The investment company's contract with the management company

Art. 2. (Amended – State Gazette, No. 63/ 2016) The investment company's contract with the management company shall contain at least the following information:

1. the distribution of rights and obligations between the managing body of the investment company and the management company regarding the management of the investment

company's activity;

2. description of the means and procedures, by which the management company shall have access to the essential information necessary to perform its obligations;
3. description of the procedures, by which the investment company may review the management company's activity with regard to regulatory and contract obligations;
4. the rules for effective prevention and/or resolving of conflicts of interest between them;
5. (amended – State Gazette, No. 63 /2016) the investment company's obligation to give the depositary consent for immediate encashment, and also to send a copy of said consent to the management company;
6. the option for the investment company to authorize the management company to participate in general meetings of the issuers in whose financial instruments the investment company has invested its assets;
7. the necessary conditions for replacement of the management company and the procedure for sending the entire essential information to the new management company;
8. the conditions and procedure of issuing (sale) and redemption of shares of the open-end investment company through the management company, and also for delegation of these functions by the management company to a third person;
9. the conditions and procedure of administration of the investment company's shares, including legal and accounting services with regard to the management of assets, information requests by investors, evaluation of assets and liabilities, and calculation of net asset value, control of compliance with legal requirements and internal rules, distribution of dividends, compliance with contracts, keeping of accounting;
10. rules for control by the investment company over expenses made by the management company with regard to regulatory and contract obligations;
11. the duration of the contract, if any, as well as the conditions and procedure of amending, cancellation, and termination of the contract, including in cases where the management company has notified the investment company about a decision made by the management company for conversion, starting an insolvency procedure, or termination of the contract, and also when the management company's license is withdrawn.

Section II

Content of the management company's contract with the depositary (Title amended – State Gazette, No. 63 /2016)

Art. 3. (Amended – State Gazette, No. 63 /2016; amended completely, No. 55 /2022) The written contract under Art. 35a, para. 2 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act (CISOUČIA) must contain the elements under Art. 2 of Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries (OJ, L 78/11 of 24 March 2016).

Art. 4. (Amended – State Gazette, No. 63 /2016; revoked No.55 /2022)

Art. 5. (Amended – State Gazette, No. 63 /2016; revoked No.55 /2022)

Art. 6. (Amended – State Gazette, No. 63 /2016; revoked No.55 /2022)

Art. 7. (Amended and supplemented – State Gazette, No. 63 /2016; revoked No.55 /2022)

Section III

The collective investment scheme's liquidity and additional requirements for securities, money market instruments, and other assets under Art. 38 of CISOUČIA.

Art. 8. (Sup. – State Gazette, No. 63/2016) (1) The collective investment scheme must invest in liquid transferable securities and other liquid financial assets under Art. 38 CISOUČIA, and also maintain an assets and liabilities structure allowing it to perform at any given time its obligations for redemption of units.

(2) The management company must comply with the requirement of para. 1 for each collective investment scheme it manages, and also must not expose the collective

investment scheme to risks which do not correspond to its risk profile.

(3) (new - State Gazette, issue 63 /2016) The management company of an exchange-traded fund notifies the Deputy Chairperson about the applicable ways it shall use to ensure the fund's liquidity, and also about every decision to change them.

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

(5) (new - State Gazette, issue 63/2016) Paragraph 4 is not applied where a permission to use a loan is issued in the manner of Art. 54.

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

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

Art. 10. (Amended – State Gazette, No. 63 / 2016) (1) (Amended – State Gazette, No. 63/2016) The management company must constantly monitor the liquidity of every collective investment scheme it manages.

(2) (Amended – State Gazette, No. 63/2016) Pledged assets or those with other limitations to their use by the collective investment scheme are not considered liquid.

Art. 11. (Amended and supplemented – State Gazette, No. 55/2022). (1) The transferable securities, in which the collective investment scheme may invest, must comply with the following conditions:

1. potential losses, which the collective investment scheme may suffer from their holding, are limited to the sum paid for them;
2. their liquidity must not pose a risk for the collective investment scheme's ability to redeem its units by their holders' request;
3. have a reliable evaluation established as follows:
 - a) the securities admitted to or traded on a regulated market under Art. 38, para. 1, item 1-4 CISOUICIA have exact, reliable, and regularly established market prices or prices provided by evaluation systems independent of the issuers;
 - b) securities under Art. 38, para. 2 of CISOUICIA have a recurring evaluation made on the basis of information provided by the issuer, or on the basis of competent investment research;
4. there is available information about them, which is considered suitable if:
 - a) for the securities admitted to or traded on a regulated market under Art. 38, para. 1, item 1-4 of CISOUICIA, accurate and detailed information about the security or, where applicable, the security's portfolio, is provided regularly to the market.
 - b) for securities under Art. 38, para. 2 of CISOUICIA, accurate information is provided regularly to the collective investment scheme about the security or, where applicable, the security's portfolio;
5. are freely transferable;
6. their acquisition corresponds to the investment objectives and/or the investment policy of the collective investment scheme;
7. the risks associated with them are adequately encompassed by the rules for risk management of the collective investment scheme.

(2) Securities under Art. 38, para. 1, item 1-3 of CISOUICIA are believed to comply with the requirements under para. 1, item 2 and 5, if the collective investment scheme does not have

at its disposal information leading to a different conclusion.

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

1. they meet the conditions under Art. 1 and 2;
2. investment companies and unit trusts apply corporate management rules applicable to the companies, and the mutual funds are subject to corporate management rules equivalent to those applicable to the companies;
3. the company managing the mutual fund, respectively the company managing the assets of the investment company and the unit trust, if any, is subject to national regulation in order to protect the investors.

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

(5) (Amended – State Gazette, No. 55/2022) Where financial instruments under Art. 4 contain an embedded derivative instrument, Art. 40-43 of CISOUICIA applies to the embedded derivative instrument.

(6) (new - State Gazette No. 55 of 2022) When a management company, at the expense of a collective investment scheme managed by it, carries out a swap for total yield or invests in other derivative financial instruments with similar characteristics, in relation to these assets from the portfolio of the collective investment scheme, Art. 45 - 49 of CISOUICIA.

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

1. financial instruments admitted to trade or traded on a regulated market within the meaning of Art. 38, para. 1, item 1-3 of CISOUICIA;
2. financial instruments, which are not admitted to trade.

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

1. have a maturity of up to 397 days inclusive at issuing;
2. the remaining period until the maturity date thereof is not more than 397 days;
3. are subject to regular corrections of the return under the conditions of the money market at least once every 397 days;
4. their risk profile with regard to their credit risk and the risk linked to the interest rate corresponds to the risk profile of financial instruments with maturity under item 1 and 2 or with corrections of the return under item 3.

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

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

1. they allow the collective investment scheme to calculate its net asset value based on the value, at which the instrument included in its portfolio can be exchanged between informed and independent parties which have expressed their consent under the conditions of a fair contract;
2. are based on market data or evaluation models, including systems based on amortisation values/ expenses.

(3) Money market instruments under Art. 38, para. 1, item 1-3 of CISOUICIA are believed to meet the requirements under para. 1 and 2, if the collective investment scheme does not

have at its disposal information leading to a different conclusion.

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

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

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

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

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

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

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

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

(3) For money market instruments under Art. 38, para. 1, item 9, item "c" of CISOU CIA, suitable information under para. 1, item 2 is considered available where the following are present:

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

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

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

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

Art. 15. (Sup. – State Gazette, No. 55/ 2022) The person under para. 1, item 9, item "c" of CISOU CIA, which is subject to and complies with rules adopted by the corresponding competent authority, which are at least as strict as the requirements established by the law of the European union, must be an issuer, which is subject to and complies with the rules for prudential supervision, and which also meets one of the following conditions:

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

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

3. must have a certain credit rating no lower than investment, awarded by a credit rating agency registered or certified under Regulation No. 1060/2009 of the European parliament and of the Council of 16 September 2009 on credit rating agencies (OJ L 302/1 of 17 November 2009), referred to further as "Regulation (EC) No. 1060/2009";

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

Art. 16. (Amended – State Gazette, No. 55 / 2022) (1) (Revoked – State Gazette, No. 55 /2022)

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

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

1. assets listed in Art. 38, para. 1 of CISOUICIA, incl. financial instruments having one or more features of these assets;
2. interest rates;
3. currency or exchange rates;
4. financial indices.

(2) OTC derivative instruments shall also meet the requirements under Art. 38, para. 1, item 8, items "b" and "c" of CISOUICIA;

Art. 18. (1) Derivative financial instruments under Art. 38, para. 1, item 7 and 8 of CISOUICIA shall include instruments meeting the following criteria:

1. allowing the transfer of credit risk of underlying assets under Art. 17, para. 1, item 1 independently of other risks associated with the asset;
2. delivery or transfer, including via monetary payment, of assets other than those under Art. 38, para. 1 and 2 of CISOUICIA cannot be performed through them;
- 3 meet the criteria for OTC derivative instruments under Art. 38, para. 1, item 8, items "b" and "c" of CISOUICIA, and para. 2 and 3;
4. the risks associated with them are accordingly encompassed by the rules for risk management of the collective investment scheme, and also by the mechanisms for internal control in the events of risk of asymmetry of information between the collective investment scheme on one side, and the counterparty for a derivative financial instrument for transfer of credit risk, on the other, arising from the counterparty's potential access to internal/ non-public information on the companies, the assets of which are underlying assets for the derivative financial instrument for transfer of credit risk.

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

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

1. the basis for evaluation is a reliable and current market price of the instrument, and in the events where such price is not available, the evaluation is made based on a pricing model using a suitable commonly used methodology;
2. verification of the valuation is done in one of the following ways:
 - a) by a suitable third party independent of the counterparty in the transaction with the derivative financial instrument traded on OTC markets, which performs verification with sufficient frequency and in a manner allowing the collective investment scheme to verify the correctness of evaluation;
 - b) by a business unit of the management company which manages the collective investment scheme having at its disposal the necessary human and technical resources and independent of the department managing the assets.

(4) Liquid financial assets under Art. 38, para. 1, item 8 of CISOUICIA do not include derivative financial instruments with goods as underlying asset.

(5) The additional liquid assets under Art. 38, para. 4 of CISOUICIA include the monetary

funds in the collective investment scheme's register.

Art. 19. (Amended – State Gazette, No. 55/2022). (1) The collective investment scheme may invest in derivative financial instruments with financial indices as underlying asset under Art. 38, para. 1, item 7 and 8 of CISOU CIA, if the financial indices meet the following requirements:

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

- a) the index is composed in a such a way that price changes and trading activity with one component of the index does not have a significant effect on the entire index;
- b) if the index is made up of assets under Art. 38, para. 1 of CISOU CIA and its composition is diversified at least as much as that of indices under Art. 46 of CISOU CIA;
- c) if the index is composed of assets other than those under Art. 38, para. 1 of CISOU CIA, its composition is diversified in a manner equivalent to that of indices under Art. 46 of CISOU CIA;

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

- a) the index measures a representative group of assets in a suitable manner;
- b) the index is reviewed and balanced periodically according to publicly announced criteria in order to continue to adequately represent the corresponding market;
- c) the assets the index is comprised of are sufficiently liquid, allowing the users to replicate the index where necessary;

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

- a) the process of publishing is based on reliable procedures for collection of prices, calculation and subsequent publishing of the index value, including procedures for evaluation of the components having no market price;
- b) the essential information regarding the calculation of the index, methodologies for balancing the index, changes to the index, and also regarding the presence of operating difficulties when providing timely and accurate information is provided on a broad and timely basis.

(2) (Amended – State Gazette, No. 55/2022) Where the composition of assets, which are underlying assets of derivative financial instruments under Art. 38, para. 1 of CISOU CIA, does not meet the requirements under Art. 1, these derivative financial instruments, if they meet the requirements under Art. 17, are considered derivative financial instruments with underlying asset – combination of assets under Art. 17, para. 1, item 1-3.

Art. 20. (1) Transferable securities and money market instruments with embedded derivative instruments under Art. 43, para. 4 of CISOU CIA are financial instruments meeting the criteria under Art. 11 and containing a component meeting the following conditions: through it some or all money flows expected from the security or money market instrument as a base contract can be changed in accordance with a certain interest rate, price of financial instrument, exchange rate, price or value index, credit rating, credit index or another variable, and as a result of this vary in a way identical to that of an standalone derivative financial instrument;

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

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

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

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

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

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

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

1. it is publicly available;

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

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

Art. 21a. (New - State Gazette No. 63 /2016; amended No. 55 of 2022) (1) A collective investment scheme that invests under the conditions of Art. 46 CISOU CIA, clearly states this in its prospectus.

(2) A collective investment scheme may not invest in a financial index that has only one component whose impact on the total return of the index exceeds the portfolio diversification requirements. When investing in a leveraged index, the leverage is taken into account first, subject to the requirement of the sentence.

(3) A collective investment scheme may invest through contracts on commodity indices only where those indices consist of different commodities. Subcategories of a commodity should be considered the same commodity when calculating diversification restrictions only if they are closely related to each other. Regarding the correlation coefficient, two components of the commodity index that are subcategories of the same commodity should not be considered highly dependent if 75% of the observed values of this coefficient are below 0.8. The values of the correlation coefficient under sentence three should be calculated simultaneously on the basis of equally weighted daily returns of the respective commodity prices and on the basis of a sliding time window of 250 days over a five-year period.

(4) The collective investment scheme must be able to prove that a given index meets the criteria under Art. 46 of CISOU CIA and Art. 19, including that they are a basis for comparison of the market to which it refers. For this purpose:

1. the index should have a clear single objective in order to provide an adequate basis for market comparison;

2. investors and competent authorities should be aware of the set of components of the index and know on what basis these components are selected for the strategy;

3. if cash management is included as part of the index strategy, the collective investment scheme must demonstrate that this does not affect the objective nature of the index calculation methodology.

(5) The index should not be considered as an adequate basis for market comparison if it was created and calculated at the request of one participant or a very small number of market participants and in accordance with the specifications of these market participants.

(6) The prospectus of the collective investment scheme shall state the frequency of rebalancing and its impact on costs within the strategy.

(7) The collective investment scheme cannot invest in a financial index whose rebalancing frequency does not give investors the opportunity to replicate the financial index. Such are indices that are rebalanced during the day or daily.

Technical changes in financial indices carried out in accordance with publicly available criteria should not be considered rebalancing within the meaning of the first sentence.

(8) The collective investment scheme shall not invest in financial indices for which the full index calculation methodology enabling investors to replicate the financial index has not been disclosed by the index provider. This includes providing detailed information about index components, index calculation (including the effect of leverage in the index),

rebalancing methodologies, changes to the index and data on any operational difficulties in providing timely or accurate information. The index calculation methodologies should not lack important parameters or elements to be considered by investors to replicate the financial index. This information should be readily available and free of charge to investors and prospective investors. Index performance information is provided free of charge to investors.

(9) The collective investment scheme cannot invest in financial indices that do not publish their components together with the corresponding weighting coefficients. The information under sentence one is readily available and free of charge to current and prospective investors. Weighting factors may be published after each retroactive rebalancing. The information under sentence three covers the previous period after the last rebalancing and includes all levels of the index.

(10) The collective investment scheme does not invest in financial indices whose methodology for the selection and rebalancing of the components is not based on a set of predetermined rules and objective criteria.

(11) The collective investment scheme does not invest in financial indices whose provider accepts payments from potential index components for inclusion in the index.

(12) The collective investment scheme does not invest in financial indices whose index calculation methodology allows for retrospective changes to previously published index values ("backfilling").

(13) The collective investment scheme shall apply due documented care to the quality of the index, taking into account whether the methodology for calculating the index includes an adequate explanation of the weighting coefficients and the classification of the components based on the investment strategy and whether the index represents an adequate benchmark. Due diligence should also cover issues related to the components of the index. The collective investment scheme should also assess the availability of information about the index, including:

1. whether there is a clear and detailed description of the benchmark;
2. whether there is an independent audit and the scope of such an audit;
3. the frequency of publication of the index and whether it will affect the ability of the collective investment scheme to calculate the net asset value.

(14) The collective investment scheme ensures that the financial index is subject to independent evaluation.

Section IV

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

Art. 22. (Amended – State Gazette, No. 63/2016. (1) The management company organizes the accounting of the collective investment scheme in a way that allows the direct identification of all assets and liabilities of the scheme at any moment.

(2) (Amended – State Gazette, No. 63/2016) For each managed collective investment scheme, the management company applies accounting policies and procedures adopted, applied, and maintained in accordance with International accounting standards under § 1, item 8 of the supplementary provisions of the Accounting act (AA) guaranteeing that the net asset value of each collective investment scheme is accurately calculated based on the accounting and that orders for purchase and redemption of units of the collective investment scheme are performed accurately based on the net asset value thus calculated.

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

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

the accounting rules of the Member State of origin of the collective investment scheme.

Art. 23. (Amended – State Gazette, No. 63/ 2016) (1) Accounting policies and procedures include the rules for evaluation of assets and liabilities of the collective investment scheme, and also the system of organisation of this activity, and are based on:

1. the use of a unified and consistent system for evaluation of assets in the portfolio of the scheme;
2. a reliable system for collection of information necessary to establish the net asset value – information sources;
3. rules to avoid conflicts of interest and to ensure protection against the disclosure of internal information;
4. due documentation of decisions associated with establishing the net asset value, including with attaching of the corresponding documents to the minutes with decisions taken;
5. availability of technological and programme support for the calculation of net asset value;
6. a system for storage and protection of documentation associated with establishing the net asset value, on a durable medium.

(2) (Amended – State Gazette, No. 63/2016) Information on the rules for calculation of net asset value, their application, as well as other data, on the basis of which net asset value is calculated, is stored under the conditions and in the manner of chapter one, section three of the Accounting act.

Art. 24. (Amended in full - State Gazette No. 63/2016) (1) In management of activity and where the calculation of the issue value and the redemption price of the collective investment scheme, and also of the indicative net asset value of an exchange-traded fund is assigned to it, the management company must adhere to the rules for calculation of net asset value.

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

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

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

Art. 25. (Amended – State Gazette, No. 63 /2016 (1) (Amended completely -State Gazette No. 63/ 2016) Evaluation of assets and liabilities of the collective investment scheme is performed in accordance with the International accounting standards under § 1, item 8 of the supplementary provisions of the AA.

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

Art. 26. (Sup. – State Gazette, No. 63 /2016; amended No. 55 / 2022) (1) (Revoked – State Gazette, No. 55 /2022)

(2) (Supplemented – State Gazette, No. 63 /2016; amended No. 55/2022) The fair value of securities and money market instruments issued by the Republic of Bulgaria, as well as those issued by another Member State and third country, traded in trading venues on an active market is established:

1. (amended – State Gazette, No. 55/2022) by the "buy" price at closing of the market on the day of evaluation announced in an electronic system for pricing information;

2. (amended – State Gazette, No. 55/ 2022) by the "buy" price at closing of the market for the last business day announced in an electronic system for pricing information in the event that the place for trade does not work on the day of evaluation;

3. (repealed – State Gazette, No. 55 /2022)

Art. 27. (Amended – State Gazette, No. 55/2022) Fair value of transferable securities and money market instruments admitted to or traded in trading venues on an active market is made:

1. by price at closing or another analogous indicator announced publicly as of the day of evaluation by trading venues;

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

3. (amended – State Gazette, No. 55 /2022) at the closing price or other similar indicator made public by trading venues for the last business day, if the trading venue is not open on the day to which the evaluation is carried out.

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

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

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

1. term and sight deposits, funds in the cash register - by nominal value;

2. short-term receivables that do not have a fixed interest rate or income – at their cost;

3. short-term receivables that have a fixed interest rate or income – at their cost.

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

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

Art. 31. (Amended – State Gazette, No. 55 /2022. (1) Fair value of transferable securities and money market instruments admitted to or traded on trading venues, in the event that no transactions are concluded with them on the day of evaluation, is established by price at closing or another analogous indicator publicly announced by places for trade for the most recent day from the 30-day period preceding the day of valuation.

(2) The fair value of transferable securities and money market instruments admitted to or traded on trading venues, in cases where trading is not conducted on trading venues on business days for the country, is the closing price for the day of the last trading session, preceding the day of the valuation. In the event that there are no transactions concluded on the day of the last trading session preceding the day of the valuation, the fair value of these instruments is determined by the closing price or another similar indicator made public by trading venues for the nearest day of the 30-day period preceding the day of the valuation. When evaluating bonds and other forms of securitized debt (debt securities), the accrued interest for the relevant days is also taken into account.

Art. 32. (Sup. – State Gazette, No. 55 /2022. If the financial instruments cannot be evaluated in accordance with the indicated techniques for evaluation under Art. 31, one of the following methods is applied for their evaluation:

1. for assets under Art. 26, the method of comparable prices for financial instruments with similar payment terms, maturity, and liquidity is applied, or other commonly used methods

determined in the rules for calculation of the net asset value;

2. for shares of companies and other securities equivalent to shares, the method of discounted future net cash flows, the method of net value of assets, the method of market multipliers of analogous companies, or other commonly used methods are applied, as determined in the rules for calculation of the net asset value. The selected method or combination of methods, including the sequence, in which they are used, is established in the statute, respectively the rules of the collective investment scheme, and are described in detail in the rules for establishing the net asset value;

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

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

5. (New - State Gazette No. 55/2022) for the fair value of financial instruments of companies that have been declared bankrupt, a coefficient of zero is used, accordingly, it is assumed that their fair value is zero.

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

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

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

Section V

Risk Management

Art. 36. (Amended – State Gazette, No. 55/ 2022) (1) The management company, acting at the expense of a collective investment scheme, develops, adopts, and applies suitable written internal rules for risk management for each scheme it manages, with the aim for continuous monitoring and risk evaluation of each item in its portfolio and the effect of that item on the entire portfolio's risk profile.

(2) (Amended – State Gazette, No. 55 of 2022) The internal risk management rules shall lay down effective risk identification procedures by means of which the management company may, for each managed collective investment scheme, assess the extent to which the relevant collective investment scheme is exposed to market risk, liquid risk, sustainability risks and counterparty risk, as well as any other risks, including operational risks, which may be material to the relevant collective investment scheme.

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

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

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

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

The rules must contain at least:

1. policies and procedures for identification of risks associated with the activity and investments;
2. procedures for risk evaluation, applicable evaluation methods;
3. the established internal thresholds for limitation of the risk, the rules for reporting when each threshold is reached, measures to prevent exceeding the risk limitations established by law, as well as permitting exceptions in extraordinary situations;
4. policies and procedures for measuring and management of all essential sources of market, liquidity risk, counterparty risk, all other essential risks, including operating risk;
5. techniques, instruments, and measures allowing compliance with the requirements under Art. 44-46;
6. distribution of responsibilities within the management company with regard to risk management;
7. short-term and long-term strategy for the management of all risks associated with the collective investment scheme's activity;
8. frequency of the review of used risk evaluation methods;
9. monitoring and frequency of evaluation of the correspondence of rules for risk management to market conditions;
10. procedures for full, authentic, accurate, and timely documentation, and accounting for all transactions, and evaluation of the effectiveness of transactions;
11. building an effective and timely reporting system including: levels and deadlines for reporting; types of reports presented by the business unit under Art. 41 to the Commission, the management bodies, the senior management and the persons performing supervisory functions; forms of reporting where errors, irregularities, incorrect use, fraud, or abuse is found.

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

1. a list of the derivative instruments, in which the collective investment scheme invests;
2. the main risks for each derivative instrument included in the list;
3. limitations on the quantity of investment in each derivative instrument from the list;
4. the selected methods for evaluation of the risk associated with investment in these instruments;
5. methods of measuring the effectiveness of hedging transactions.

Art. 38. (Amended and supplemented – State Gazette, No. 63 /2016; amended No. 55 / 2022) (1) (Supplemented – State Gazette, No. 63 /2016) The management company, at least once a year, performs evaluation, control, and periodic review of:

1. the adequacy and effectiveness of the internal rules for risk management, as well as the measures, processes, and techniques under Art. 44-46;
2. the degree of compliance with the rules for risk management and implementation of the measures, processes, and techniques under Art. 44-46 by the management company;
3. the adequacy and effectiveness of the measures taken to eliminate defects in the process of risk management.

(2) (new - State Gazette, issue 63 /2016; amended No. 55/2022) The periodic review, control and assessment under para. 1 for the relevant year are carried out within 90 days from the end of the year and are documented, indicating the date of their execution.

(3) (Previous para. 2 - State Gazette No. 63 /2016) The management company must notify the Commission about each significant change in the process of risk management.

(4) (Previous para. 3 - State Gazette No. 63 /2016) The Commission shall verify the presence of procedures for evaluation, control, and recurring review of requirements under para. 1 in the course of the procedure for issuing of a license to the management company to pursue its activity, and the ongoing control for compliance with them is performed by the Deputy Chairperson.

Art. 39. (1) As a result of the review of the rules for risk management under Art. 36, para.

1, the management company adopts changes to the rules where necessary.

(2) Changes to the rules shall be submitted for approval to the Commission by the management company for the mutual funds managed by it, and by the open-end investment company in the manner of Art. 18, para. 2-6 of CISOU CIA.

Art. 40. (1) In order to achieve effective monitoring and management of operating risk, the management company adopts rules for internal organisation, with clearly defined and transparent levels of responsibility, including between the persons participating in the risk management process.

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

Art. 41. (Supplemented – State Gazette, No. 63 /2016; supplemented No. 55/ 2022. (1) In order to apply the rules for risk management, the management company creates a permanent business unit for risk management and ensures its activity.

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

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

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

(5) (new - State Gazette, issue 63/ 2016) The risk management function can be delegated to a third party in compliance with the requirements of Art. 106, para. 1-2 and 5-6 of CISOU CIA.

(6) (new - State Gazette, issue 55 /2022) When the management company delegates portfolio management functions of a collective investment scheme to a third party, it should ensure that the third party complies with the independence requirements under Art. 45 years, with a view to preventing dependence and excessive influence from the stress tests carried out by the third party.

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

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

2. implements the rules and procedures for risk management;

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

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

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

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

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

c) adequacy and efficiency of the risk management process and more specifically indicating whether suitable corrective measures are taken in the cases where faults are discovered; regularly reports to the senior management, presenting the current risk level each collective investment scheme is exposed to, and regarding the present or expected breaches of the

limits, thus ensuring that suitable and timely actions are taken;

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

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

Art. 43. (Amended – State Gazette, No. 63 /2016; amended and supplemented, No. 55/ 2022) (1) The management company, acting at the expense of a collective investment scheme, discloses publicly at least once a year information with the following content:

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

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

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

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

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

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

(2) (Amended – State Gazette, No. 63 /2016; amended and supplemented, No. 55 /2022) Information under para. 1 is distributed via an Internet page of the management company within 30 days of performing the review under Art. 38 and should remain available until the next review.

Section VI

Risk Management Policy Risk measurement and management

Art. 44. (Amended – State Gazette, No. 55/ 2022) (1) The management company adopts and applies rules for risk management containing suitable and effective organisation measures, procedures, and techniques regarding each collective investment scheme, with the aim for:

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

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

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

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

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

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

3. (amended – State Gazette, No. 55/2022) performs periodic, but no less often than once a year, liquidity stress tests and scenario analyses, in order to prepare to perform actions in the event that risks arising from potential changes in market circumstances occur, which may negatively affect the collective investment scheme;

4. establishes, applies, and maintains a documented system of internal risk limitation

thresholds for each collective investment scheme, which:

- a) ensures compliance with the risk profile of the scheme;
 - b) indicates the measures applied to manage and control the corresponding risks for each collective investment scheme, taking into account all essential risks established in accordance with Art. 37;
5. guarantees that for each collective investment scheme the present risk level corresponds to the level established by the system for internal risk limits under item 4;
6. establishes, applies, and maintains suitable procedures ensuring the taking of timely corrective measures in the best interest of the unitholders, in the event that foreseen/ foreseeable breaches of the system for internal risk limits under item 4 occur.
- (4) Internal risk limitation thresholds under para. 3, item 4 shall be established at levels below the regulatory thresholds under CISOUCA and the present ordinance. Crossing of each threshold shall be documented by the risk management business unit and shall be reported to the management body of the management company to take corrective actions.
- Art. 45.** (Supplemented – State Gazette, No. 63 /2016; amended and supplemented, No. 55 /2022; supplemented issue 36/2003) (1) The management company applies suitable procedures for management of liquidity risk of each collective investment scheme in order to ensure compliance with the requirements under Art. 21 of CISOUCA.
- (2) The management company performs stress tests where necessary allowing them to evaluate the collective investment scheme's liquidity risk in extraordinary circumstances.
- (3) (new - State Gazette, issue 55 /2022) The management company can perform a liquidity stress test every three months or more often, or when necessary, and the reasons for determining a lower or higher frequency are indicated in the policy under Art. 45b, para. 1.
- (4) (new - State Gazette, issue 63 /2016; amended No. 55 /2022; supplemented issue 36 of 2023) When determining the frequency of performing liquidity stress tests, the management company takes into account the liquidity of the collective investment scheme and its assets, the factors described in item 27 of the Guidelines on liquidity stress tests in UCITS and AIFs (ESMA34- 39-897), and the frequency of liquidity stress tests should be adapted to the type and characteristics of the collective investment scheme, without adopting a universal approach to all managed funds.
- (5) (Previous para. 3 - State Gazette No. 55/2022) The management company manages liquidity risk of the investments of each collective investment scheme managed by it in a way that corresponds to the redemption policy established in the fund's rules, respectively the scheme's statute or prospectus.
- (6) (new - State Gazette No. 63 /2016; previous paragraph 5, supplemented No. 55 / 2022) Within 30 days after completing the performed stress tests under para. 3 and Art. 44, para. 3, and item 3, the management company notifies the Deputy Chairperson about their results, and also about the actions taken to amend the policy under para. 1, where necessary.
- Art. 45a.** (New - State Gazette No. 55 of 2022) (1) A management company of a money market fund conducts stress tests in compliance with the requirements of Art. 28 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) (Regulation (EU) 2017/1131), being guided by the general reference parameters for the scenarios to be included in the stress tests, defined in the Guidelines for the scenarios used in the stress tests, according to Art. 28 of the Regulation on Money Market Funds (ESMA34-49-115).
- (2) The scenarios for the stress tests of a money market fund need to examine the impact of the various factors specified in Art. 28(1) of Regulation (EU) 2017/1131, both with respect to the portfolio or its net asset value and with respect to the management company's ability to fulfill all redemption orders.
- (3) When performing the stress tests, the management company should comply with, in

addition to those listed in Art. 28, paragraph 1 of Regulation 2017/1131 factors, as well as with all other relevant factors, taking into account the specific features of the managed money market fund.

(4) The money market fund management company conducts scenarios of varying degrees of complexity that combine all relevant factors, and does not have to conduct only separate stress tests for each factor.

(5) The results of the played common reference scenarios for stress tests under Art. 28 of Regulation (EU) 2017/1131 are reflected in the template constituting an annex to Commission Implementing Regulation (EU) 2018/708 of 17 April 2018 laying down implementing technical standards with regard to the template to be used by managers of money market funds when reporting to competent authorities as stipulated by Article 37 of Regulation (EU) 2017/1131 of the European Parliament and of the Council (OJ, L 119/5 of 15 May 2018).

Art. 45b. (New - State Gazette No. 55 / 2022) (1) The policy for conducting liquidity stress tests of the collective investment scheme that the management company adopts and implements shall include at least the following:

1. liquidity stress test models that specify the following:

- a) the risk factors that may affect the liquidity of the collective investment scheme;
- b) the types of scenarios to be used and their degree of severity;
- c) the various results and indicators to be monitored based on the results of the liquidity stress test;
- d) the reporting of liquidity stress test results, management performance and metrics;
- e) how the results of the liquidity stress test are used by risk management, portfolio management and the management company;

2. defining the role of senior management in the process;

3. administrative units and management functions engaged and responsible for its implementation;

4. the interaction with other liquidity risk management procedures, including contingency plans and the portfolio management function;

5. a requirement for regular internal reporting of liquidity stress test results, specifying the frequency of reporting and the recipients of the report;

6. periodic review and documentation of the results of the implementation of the liquidity stress test policy and policy amendment procedure when required by the review;

7. the circumstances that require intensive measures, including in case of violation of liquidity restrictions/thresholds;

8. initial validation of liquidity stress test models and the assumptions justifying them, which should be carried out independently of portfolio management;

9. the types and severity of stress test scenarios used and the reasons for their selection;

10. the assumptions used related to the presence of the scenarios, their justification and the frequency of their revision;

11. the frequency of performing liquidity stress tests and the reasons for choosing this frequency;

12. asset liquidation methods, including limitations and assumptions used.

(2) When a common policy is created for several collective investment schemes under para. 1, it explicitly states the funds to which it is applicable.

(3) The management company ensures that the liquidity stress test is tailored to the risk profile of each collective investment scheme, uses a wide range of scenarios that appropriately covers the diversity of risks, takes into account the main factors of liquidity risk and provides information enabling follow-up actions by the management company.

Art. 45c. (New - State Gazette No. 55 of 2022) (1) The management company takes into account the liquidity stress test for each collective investment scheme as appropriate, taking into account:

1. the types and severity of scenarios used to create adverse conditions must be sufficiently severe but realistic and based on the liquidity risks arising from the assets and liabilities of the collective investment scheme's balance sheet and its overall liquidity profile;
2. assumptions regarding investor behavior (gross and net redemptions) and liquidation of assets;
3. the complexity of the liquidity stress test model, which must take into account the investment strategy of the collective investment scheme as a whole, the composition of the portfolio, the liquidity management tools and the use of effective portfolio management techniques;
4. a stress test of the liquidity of an exchange-traded fund takes into account its features, the role of authorized participants, redemption models and reproduction models;
5. the risks associated with investments in less liquid assets and liabilities.

(2) When performing a liquidity stress test, hypothetical and historical scenarios should be used and, when appropriate, reverse stress testing. When using reverse stress testing, an asset liquidation process should be simulated that reflects how the management company would liquidate assets during a period of extreme market stress. Reverse stress testing should consider the treatment of remaining as well as redeeming unitholders, as well as the role of transaction costs and whether or not emergency selling prices will be accepted.

(3) Collective investment schemes whose investment strategies expose them to low-probability but potentially high-impact risks should pay particular attention to the use of reverse stress testing to assess the effects of an extraordinary market event on their liquidity profiles.

(4) The provisions of Art. 41, para. 6 and Art. 45b apply to money market funds without prejudice to Regulation (EU) 2017/1131 and ESMA's guidelines applicable exclusively to money market funds, which are of greater weight in case of possible conflicts.

(5) The management company may perform a liquidity stress test for several collective investment schemes at the same time when it deems it appropriate for those collective investment schemes by applying the same liquidity stress test to more than one collective investment scheme with similar strategies and exposures.

Art. 45d. (New - State Gazette No. 55 /2022) The management company shall take the necessary measures against the occurrence of a conflict of interest in order to ensure the independent functioning of the risk management unit, including the portfolio management function, in connection with conducting liquidity stress tests; such measures include the following:

1. preventing other parties, such as portfolio management personnel or third parties to whom portfolio management functions are delegated, from being allowed to exercise undue influence over the performance of liquidity stress tests, including reliance on liquidity-related decisions of assets;
2. managing information about stress tests so that, if the information is shared with a client, it would not conflict with the management company's duty to treat all investors fairly in the way it discloses information about the collective investment scheme.

Art. 4e. (New - State Gazette No. 55 /2022; amended and supplemented, No. 36 of 2023)

(1) For the performed liquidity stress test, the unit under Art. 41 prepares and submits to the management body of the management company a report containing results which:

1. certify whether the liquidity of the collective investment scheme corresponds to the applicable rules and conditions for redemption provided for in the documentation of the collective investment scheme;
2. contribute to the management of the liquidity of the collective investment scheme in the best interest of the investors, including in the planning of periods of increased risk related to liquidity;
3. help to identify potential weaknesses in the liquidity of a given investment strategy and assist in making investment decisions;

4. support monitoring and decision-making for risk management, including the determination of relevant internal limits by the management company regarding the liquidity of the collective investment scheme as an additional risk management tool;

5. assist the management company in the preparation of the collective investment scheme for a crisis and for planning actions in emergency situations.

(2) (Amended – State Gazette, No. 36 of 2023) The report under para. 1 shall be submitted to the Commission within the period under Art. 45, para. 6.

(3) The results of the liquidity stress test should demonstrate that the management company is able to overcome the limitations related to the availability of data, including by avoiding optimistic assumptions, by justifying the use of third-party liquidity stress test models, including when the model is developed by a third-party portfolio manager, as well as by performing an expert quality assessment.

(4) Appropriate reductions in asset liquidity should be simulated under both normal and adverse market conditions, particularly where historical data do not provide sufficiently strong examples of adverse conditions. It should not be assumed that the portfolio can be liquidated at full average daily trading volume of an asset, unless such an assumption can be justified on the basis of empirical evidence.

(5) The management company should assess the time and/or costs of liquidating the assets in a given portfolio, as well as whether such an activity would be permissible, taking into account:

1. the goal and investment policy of the collective investment scheme.
2. the obligation to manage the collective investment scheme in the interest of the investors;
3. any applicable obligations to liquidate assets at limited costs;
4. the obligation to maintain the risk profile of the collective investment scheme after the liquidation of part of its assets.

(6) (Supplemented – State Gazette, No. 36 /2023) When performing the assessment under para. 5, the management company should take into account, accordingly, what is indicated in items 43 - 48 of the Guidelines on liquidity stress testing in UCITS and AIFs (ESMA34-39-897).

(7) Liquidity stress testing should include scenarios related to the liabilities of the collective investment scheme, including redemption and other potential sources of liquidity risk arising from the liability side of the collective investment scheme's balance sheet, as well as the risk factors related to the type of investor and the concentration, in accordance with the nature, scale and complexity of the fund. The management company should include in the liquidity stress tests and scenarios related to other types of liabilities in normal and adverse conditions where appropriate.

(8) In order to determine the overall impact on the liquidity of the collective investment scheme, the management body of the management company should correctly combine the results of the liquidity stress testing, after the assets and liabilities in the accounting balance sheet of the collective investment scheme have been separately subjected to stress tests. Depending on the result of the stress testing and the determined impact on the liquidity of the fund, the management company should carry out an assessment regarding the need for increased monitoring of the collective investment scheme, corresponding planning of actions in case of crises and emergency situations.

Art. 45f. (New - State Gazette No. 55 /2022) When creating a new collective investment scheme, in the proceedings under Art. 12 CISOUČIA the management company must:

1. be able to prove that the basic elements of the fund, including its strategy and the frequency of transactions, allow it to remain sufficiently liquid under normal and adverse market conditions;
2. where necessary, undertake liquidity stress tests for assets using the portfolio model as well as for liabilities, incorporating the expected profile of the fund, both from the early and

later stages of its existence.

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

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

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

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

1. method of commitments;

2. method of value at risk;

3. other advanced risk measurement methods.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Art. 48a. (New - State Gazette No. 63 /2016; amended and supplemented, No. 55 /2022; amended No. 36/2023) (1) The collective investment scheme's risk exposure to a counterparty as a result of transactions with OTC-traded derivative instruments and techniques for effective portfolio management is included when calculating the thresholds under Art. 45 and 46 of CISOU CIA.

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

(3) (Amended – State Gazette, No. 36/ 2023) In the cases where transactions with OTC financial derivatives are made for the collective investment scheme and techniques for effective portfolio management are applied, each collateral used to reduce the risk exposure to the counterparty, at every moment meets the following criteria, as established in the Guidelines on ETFs and other UCITS issues (ESMA/2014/937):

1. (Supplemented – State Gazette, No. 55 /2022) liquidity - any collateral that is not received in cash should have high liquidity and be traded on a regulated market or multilateral trading system with transparent pricing so that it can be sold quickly at a price close to pre-sale valuation; the received collateral should meet the requirements of Art. 49 of CISOU CIA;

2. (Supplemented – State Gazette, No. 55 /2022) valuation - collateral obtained should be valued at least once a day and assets showing high price volatility should not be accepted as

- collateral unless sufficiently conservative levels of potential losses are projected;
3. (Supplemented – State Gazette, No. 55 /2022) quality of the issuer - the collateral received should be of high quality;
 4. (Supplemented – State Gazette, No. 55 /2022) correlation - the collateral obtained from the collective investment scheme should be issued by an entity that is independent from the counterparty and which is expected not to show strong dependence on the results of the counterparty's activity;
 5. (Supplemented – State Gazette, No. 55 /2022) collateral diversification - collateral should be diversified in terms of countries, markets and issuers, with the risk for a given issuer not exceeding 20% of the net asset value of the collective investment scheme;
 6. (Supplemented – State Gazette, No. 55/2022) risks related to collateral management - these risks should be identified, managed and mitigated through the risk management process;
 7. when a unit is transferred, the received collateral is held by the collective investment scheme's depositary;
 8. the collective investment scheme may initiate enforcement against the received collateral at any time without referring to the counterparty or its approval;
 9. non-monetary collateral cannot be sold, re-invested, or pledged;
 10. monetary collateral may only be:
 - a) deposited at a person under Art. 38, para. 1, item 6 of CISOUICIA;
 - b) invested in high-quality state securities;
 - c) used for the purposes of repo transactions, with the condition that the transactions are with credit institutions subject to prudential supervision, and that UCITS may at any time receive back the full amount of money together with due interest;
 - d) invested in short-term funds on the money market.
- (4) The monetary collateral under para. 3, item 10 is invested in compliance with the diversification principles applicable to the non-monetary collateral.
- (5) The collective investment scheme may exceed the limitation under para. 3, item 5, if the collateral is in different transferable securities and money market instruments issued by any of the persons under Art. 38, para. 1, item 9, item "a" of CISOUICIA meeting the requirements under Art. 47, para. 3 of CISOUICIA.
- (6) In the cases under para. 5 the collective investment scheme determines the Member States, the regional or local authorities, or public international organisations issuing or guaranteeing securities, which can be accepted as collateral, which may exceed 20 per cent of the net value of its assets, by notifying this in its prospectus.
- (7) The management company, for every collective investment scheme receiving collateral of no less than 30 per cent of its assets, develops and applies a policy guaranteeing performing of stress tests in normal and extraordinary conditions of liquidity, so as to allow the collective investment scheme to evaluate the liquidity risk associated with the collateral.
- (8) The policy for the liquidity stress tests under para. 7 shall include at least the following elements:
1. development of an analysis of a stress test scenario, including calibration, certification, and sensitivity analysis;
 2. empirical approach to evaluation of the effect, including the back tests of evaluations of liquidity risk;
 3. frequency of reporting and threshold (thresholds) of eligibility of the limit/ loss;
 4. measures to reduce the loss, including a policy for anticipation of possible losses and protection against the risk of inconsistency.
- (9) The management company implements a clear policy for anticipation of possible losses for each collective investment scheme, corresponding to each type of assets received as collateral. When developing the policy for anticipation of possible losses, the following are

taken into account:

1. characteristics of the assets, such as credit standing or price volatility;
 2. (amended – State Gazette, No. 55/ 2022) the results of the stress tests.
- (10) The policy under para. 9 is drawn up in a separate document and justifies each decision for anticipation of a specific possible loss or for the lack of anticipation of one with regard to a given asset type.
- (11) The management company implements a policy for collateral and a policy for reinvestment of monetary collateral for each collective investment scheme.
- Art. 49.** (1) The management company ensures that the value of the collective investment scheme's exposure to OTC-traded derivative instruments is established by fair value, which is not based solely on market quotes of the counterparty from transactions with OTC-traded derivatives, but also meets the criteria under Art. 18, para. 3.
- (2) In order to ensure the establishing of the fair value of the collective investment scheme's exposure to OTC-traded derivative instruments, the management company determines, performs, and maintains the corresponding organisation measures and rules guaranteeing the correct, transparent, and fair evaluation of a collective investment scheme's exposure.
- (3) The fair value of OTC-traded derivative instruments is established based on an adequate, accurate, and independent evaluation. The measures and rules for evaluation under para. 2 must be adequate and correspond to the nature and complexity of the corresponding OTC-traded derivative instruments.
- (4) The management company may use a fair value of a collective investment scheme's exposure to OTC-traded derivative instruments established by a third party under para. 2, if:
1. the measures and rules under para. 4 permit this;
 2. the third party meets the requirements under Art. 117, para. 2, and Art. 132, para. 1.
- (5) With regard to the procedures for evaluation of OTC-traded derivative instruments under para. 1-4, the risk management business unit is assigned specific obligations responsibilities.

Section VII

Techniques for effective management of the portfolio of collective investment schemes

- Art. 50.** (1) Collective investment schemes may use techniques and instruments associated with transferable securities and money market instruments for effective portfolio management, constituting contracts for the purchase or sale of financial instruments with a redemption clause (repo transactions), with the condition that the transactions are economically suitable, the risks arising from them are adequately identified in the process of risk management, and with the condition that they serve to achieve at least one of the following aims:
1. reducing the risk;
 2. decreasing the expenses;
 3. generation of additional income for the collective investment scheme with a risk level corresponding to its risk profile and the rules for risk diversification.
- (2) The use of techniques under para. 1 may not lead to a change in investment aims and limitation or increase of the collective investment scheme's risk profile indicated in the statute, respectively the rules, prospectus, and rules approved by the Commission, respectively Deputy Chairperson.
- (3) The collective investment scheme may conclude repo transactions under para. 1 only if this option is provided for in the statute, respectively the rules of the collective investment scheme, and also in its prospectus.
- (4) The collective investment scheme may only conclude repo transactions under para. 1, if the counterparties in them are credit or financial institutions subject to prudential supervision by a competent authority from a Member State or another state party to the Treaty for the Economic Co-operation and Development.
- (5) The collective investment scheme may only conclude repo transactions under para. 1

with financial instruments, in which it may invest under Art. 38 of CISOU CIA.

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

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

Art. 51. (Amended and supplemented – State Gazette, No. 55 /2022) (1) (Amended and supplemented, – State Gazette, No. 55/2022) The collective investment scheme may conclude repo transactions for the purchase of financial instruments with a clause for their redemption by the seller at a price and within a period established in the contract between the two parties, or reverse repo transactions, in compliance with the following limitations:

1. (amended – State Gazette, No. 55 of 2022) that the contract expressly provides for the possibility of its early termination by the collective investment scheme, in which case the collective investment scheme redeems the loaned financial instruments, the subject of the contract, or receives back the full amount of money;

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

(2) (new - State Gazette No. 55 /2022) Forward repos and reverse repos, the duration of which does not exceed seven days, are considered transactions whose terms allow the collective investment scheme to repurchase the assets at any time.

(3) (Previous para. 2 - State Gazette No. 55/ 2022) Financial instruments which can be subject to a transaction under para. 1 are as follows:

1. money market instruments within the meaning of Art. 38, para. 1, item 9 of CISOU CIA:

2. bonds issued or guaranteed by a Member State or another state which is a party to the Convention on the Organisation for Economic Cooperation and Development, or the central banks of such states, or their local self-governance bodies, or the European Central Bank, the European Investment Bank or a public international organisation where at least one Member State is a member of, as well as qualified debt securities which are issued or guaranteed by third countries having a credit rating not lower than the investment one awarded by a credit rating agency which is registered or certified in accordance with Regulation (EU) No. 1060/2009;

3. shares or units issued by a collective investment scheme under Art. 38, para. 1, item 5 of CISOU CIA;

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

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

Art. 52. (Amended – State Gazette, No. 55 /2022) The collective investment scheme may conclude repo transactions for the sale of financial instruments with a stipulation for their redemption by the collective investment scheme at a price and within a period specified in the contract between the parties. Upon maturity, the collective investment scheme must have sufficient funds to pay the amount agreed for the redemption of the financial instruments.

Section VIII

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

the expense of a mutual fund (Title amended – State Gazette, No. 63 /2016)

Art. 53. (Amended – State Gazette, No. 63 /2016; amended No. 55 / 2022) In order for a permit to be issued to the investment company, the management company, or the depository, when acting at the expense of the collective investment scheme, for the use of a loan, a request is submitted to the Commission using an approved standard form, attaching the following:

1. minutes of the meeting of the competent body according to the statute, respectively the rules of the collective investment scheme, at which the decision to use a loan and its amount is taken;
2. justification of the loan, including information on the submitted orders for redemption of units of the collective investment scheme as of the moment of submitting the request, and the determined redemption price for the last 3 months, as well as the liabilities for redemption, which have arisen;
3. plan of the collective investment scheme's activity, containing at least the following data:
 - a) volume and structure of investments in the portfolio;
 - b) estimated financial results for the next 6-month period;
 - c) plan for repayment of the loan funds;
4. detailed information on collateral and guarantees;
5. (amended – State Gazette, No. 63 /2016) financial statement in accordance with the requirements of Art. 29, para. 9 of AA as of the last day of the month preceding the date of submission of the request;
6. draft of the loan contract and the repayment plan coordinated with the bank, which will grant the loan.

Art. 54. (Amended – State Gazette, No. 63 /2016; amended No. 55 / 2022) (1) (Amended – State Gazette, No. 55/ 2022) The Commission, by proposal of the Deputy Chairperson makes a decision on the request for use of a loan under the terms of Art. 27, para. 4 of CISOU CIA.

(2) (Amended – State Gazette, No. 63 /2016; amended No. 55/ 2022) After acquiring the permission to use a loan, the investment company, respectively the management company or the depository, must notify the Commission about the concluded loan contract and provide a copy of it within a 3-day period from the date of its conclusion.

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

Art. 56. (Amended – State Gazette, No. 63 / 2016) (1) (Amended – State Gazette, No. 63 /2016) The investment company, the management company, or the depository, when acting at the expense of the collective investment scheme, may acquire foreign currency using a compensation loan, for the purpose of effective management of the collective investment scheme's expenses.

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

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

1. payment of submitted orders for redemption of units in the collective investment scheme outside the territory of the Republic of Bulgaria;
2. purchase of instruments under Art. 38 of the CISOU CIA.

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

Art. 57. (Amended – State Gazette, No. 63 /2016; amended No. 55/2022) The investment company, respectively the management company, or the depository, must present to the Deputy Chairperson once a month, no later than the 10th day of the following month, a

report of the use of loan funds, and also of its repayment until the obligation is fulfilled entirely.

Art. 58. (Amended – State Gazette, No. 63 /2016; amended No. 55 / 2022) (1) (Amended – State Gazette, No. 63/2016) The loan creditor may only be a bank, with the exception of a bank, which is a depository of the collective investment scheme.

(2) (Amended – State Gazette, No. 55 /2022) The use of a loan without the prior authorization of the Commission is void against the unit holders. The loan is not taken into account for calculation of net asset value of the collective investment scheme.

Section IX

Issuing (sale) and redemption of units of a collective investment scheme

Art. 59. (Amended – State Gazette, No. 63 /2016; amended No. 55 /2022; supplemented issue 38 /2023)

(1) (Amended – State Gazette, No. 63 /2016; amended No. 55 /2022; supplemented issue 38 /2023) The activity of issuing (selling) and redemption of units of a collective investment scheme and/or on its website is carried out through a management company based on a written contract or contract-order under Art. 65, para. 1 with the client.

The management company concludes the contract, respectively the contract-order according to the first sentence, at the address of management, as well as at the places for submitting orders specified in the prospectus of the collective investment scheme, unless the contract, respectively the contract-order, is concluded electronically or through another form without the presence of the client.

(2) (Revoked – State Gazette, No. 55 /2022)

Art. 60. (1) The issue value and the redemption price of units of the collective investment scheme is based on the net value of the scheme's assets as of the date of its estimation.

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

Art. 61. (1) In the event of changes to the amount of expenses for issuing and redemption of units of the collective investment scheme, the management company must notify unitholders in a suitable manner after registering the amendments in the statute in the commercial register, respectively immediately after approval of amendments in the mutual fund's rules.

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

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

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

Art. 63. (Amended in full - State Gazette No. 63 /2016; amended No. 55 / 2022) (1)

(Amended – State Gazette, No. 55 / 2022) (1) The issue value and the redemption price of units of the collective investment scheme, are calculated by the depository or by the management company under the depository's control.

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

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

(4) (Revoked – State Gazette, No. 55 /2022)

Art. 64. (Amended – State Gazette, No. 63/ 2016) (1) If an error is made in the calculation of the value of a unit, as a result of which its issue value is inflated or its redemption price is reduced by over 0.5 per cent of the net asset value per unit, the depositary or the management company must reimburse the difference to the unitholder who purchased the unit at an inflated issue value, respectively who redeemed the unit at a reduced price, from the collective investment scheme's funds within a 10-day period from the discovery of the error, unless the unitholder was being unscrupulous.

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

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

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

Art. 65. (Amended and supplemented – State Gazette, No. 55 /2022; supplemented issue 36/2023. (1) Orders for purchase or redemption of units of a collective investment scheme include the following requisites:

1. the name of the corresponding collective investment scheme;
2. (amended – State Gazette, No. 55 /2022; supplemented issue 36/ 2023) the names of the person submitting or transmitting the order;
3. (amended – State Gazette, No. 55 /2022; supplemented issue 36 /2023) the names of the person accepting the order;
4. (amended – State Gazette, No. 55/ 2022) the number, date and time of submitting the order;
5. conditions and payment method;
6. type of order (sale or redemption);
7. (amended – State Gazette, No. 55 /2022) the time of fulfilling the order;
8. number of subscribed or redeemed units;
9. issue value or redemption price of each unit;
10. total value of subscribed or redeemed units;
11. gross value of the order, including sale fees, or net value after the fee for redemption.

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

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

(4) (Amended and supplemented – State Gazette, No. 55/2022) The management company keeps the original power of attorney under para. 3 or a notarized transcript of it. If the power of attorney has multiple effects, the management company keeps a copy of it, certified by the power of attorney and by the person accepting the order. The certification is carried out with the inscription "True copy", date and signature of the persons.

Art. 66. (Amended and supplemented – State Gazette, No. 63 /2016; amended and supplemented, No. 55/2022. (1) Orders for the purchase of units of the collective investment scheme are performed within 7 days of the date of submission of the order.

(2) Orders for redemption of units of the collective investment scheme are performed within

10 days of the date of submission of the order.

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

(4) (new - State Gazette, issue 63 / 2016) The minimum volume of the order for redemption of units of an exchange-traded fund is 25,000 units, whereas the management company, in accordance with Art. 24c, para. 1 of CISOU CIA may establish a larger minimum number of units.

(5) (Previous para. 3 - State Gazette No. 63 /2016) When performing a sale or redemption of units of a collective investment scheme, the management company notifies, on a durable medium, the unitholder about performance of the order as soon as possible. Confirmation under the first sentence may not be later than the first working day after implementation, or, if the management company has received the confirmation from a third person, no later than the first working day after receiving the confirmation from the third person.

(6) (Previous para. 4, amended – State Gazette, No. 63 /2016) The requirement under para. 5 does not apply in the event that confirmation would contain the same information as confirmation sent immediately to the unitholder by another person.

(7) (Previous para. 5, amended – State Gazette, No. 63 / 2016) The application under para. 5 contains:

1. identification of the management company;
2. name, respectively company name of the unitholder;
3. (amended – State Gazette, No. 55/2022) date and time of receiving the order and payment method;
4. (amended – State Gazette, No. 55 /2022) the date of fulfilling the order;
5. identification of the collective investment scheme;
6. (amended – State Gazette, No. 55/2022) type of order (sale or redemption);
7. (Amended and supplemented – State Gazette, No. 55/2022) number of subscribed or redeemed units;
8. issue value or redemption price;
9. date, on which the value under item 8 is established;
10. total value of the order, including sale fees, or net amount after the fees for redemption;
11. (amended – State Gazette, No. 55/2022) total amount of accrued commissions and costs, and, where the investor wishes for it, breakdown by items.

(8) (Previous para. 6, amended – State Gazette, No. 63 /2016; amended No. 55 /2022) Where a unitholder's orders are performed periodically, the management company undertakes the actions indicated in para. 5, or at least once every six months provides the client with the information indicated in para. 5 for these transactions.

(9) (Previous para. 7 - State Gazette No. 63 /2016; amended No. 55 /2022) The management company provides to the client, when requested, information regarding the condition of orders submitted by him/her.

(10) (Previous para. 8 - State Gazette No. 63 /2016) For the purposes of providing information under the present article by electronic means of communication, the provisions of Art. 106, para. 3 apply.

(11) (new - State Gazette, issue 63 /2016) An exchange-traded fund, which has stipulated limitations in accordance with Art. 24 c, para. 1 of CISOU CIA in its rules, determines in detail the circumstances, in which limitations for redemption do not apply in accordance with Art. 24c, para. 2 of CISOU CIA.

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

Art. 67. (Amended – State Gazette, No. 63 /2016; amended No. 55 /2022) The management company must deposit the funds received in cash for the issue (sale) of units of a collective investment scheme to a bank account no later than the end of the following working day.

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

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

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

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

1. The Commission may receive it easily and is able to reproduce all main stages of processing for each transaction from the portfolio;
2. easy verification is possible for all amendments and other modifications, as well as the content of documents before these amendments and modifications;
3. forging or replacing of documents in any other way must be impossible.

Art. 69. (Amended – State Gazette, No. 63/ 2016. (1) In the cases under Art. 22, para. 1 of CISOUCA, the management company must suspend redemption, indicating the term of suspension, if such is envisioned.

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

(3) (Amended – State Gazette, No. 63 /2016) The management company, on behalf of the collective investment scheme, notifies about the circumstances under para. 1 the Commission and the corresponding competent authorities of all Member States, in which it offers its units, regarding the taken decision before the end of the business day, respectively notifies of resuming of redemption by the end of the business day preceding resuming, and also the depository.

(4) The collective investment scheme, respectively its management company, must notify unitholders in the cases under para. 1 on the decision made to suspend redemption, complying with the requirements under Art. 22, para. 4 of CISOUCA.

(5) (Amended – State Gazette, No. 63 /2016) In the event that it is necessary to extend the term under para. 1, the management company is obliged to communicate this in accordance with Art. 22, para. 2 and 4 CISOUCA to the Commission, the depository and the regulated market on which the shares of the collective investment scheme are traded, no later than 7 days before the expiration of the period originally determined by it. Where the suspension period is shorter than seven days, including those cases in which the redemption is suspended due to technical reasons, the Management company gives its notifications under the preceding sentence not later than the end of the working day preceding the date on which the redemption was supposed to be resumed.

(6) (Amended – State Gazette, No. (63/2016.)) Those orders which are placed after the final announcement of the redemption price, prior to the initial date of the period of temporary suspension are not executed. The management company reimburses the amounts to the investors that have placed orders for the purchase of shares or units, transferring the amounts either to their bank account or to the cash desk of the company not later than the end of the working day following the day on which the decision regarding the suspension of the issue of shares was made.

(7) The issue price and the redemption price after the resumption of redemption must be made public on the day preceding the resumption. The next determination and announcement of the issue value and the redemption price shall be made on the days specified in the prospectus.

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

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

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

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

Section X

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

Art. 71. (Amended and supplemented – State Gazette, No. 63 /2016; amended and supplemented, No. 55 / 2022) (1) (Amended – State Gazette, No. 63 /2016) The prospectus of the collective investment scheme contains at least the information under appendix No. 1.

(2) (new - State Gazette, issue 55 /2022) The prospectus of an index-tracking collective investment scheme and the prospectus of a leveraged index-tracking collective investment scheme additionally includes the information according to Appendix No. 3.

(3) (new - State Gazette, issue 55 of 2022) The prospectus of a collective investment scheme using a total return swap or other derivative financial instruments with the same characteristics includes, in addition to the information under para. 1 and the information according to Annex No. 4.

(4) (new - State Gazette, issue 55 of 2022) The prospectus of a collective investment scheme that enters into securities financing transactions and total return swaps shall contain information on the securities financing transactions and total return swaps that are permissible for the collective investment scheme in accordance with Section B of the Annex to 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) (Regulation (EU) 2015/2365).

(5) (Amended – State Gazette, No. 63 /2016; previous paragraph 2, issue 55 /2022) When preparing the Key investor information document when calculating synthetic risk and reward indicators and quantitative indicators for expenses, the collective investment scheme applies the CESR guidelines on the methodology for the calculation of the synthetic risk and reward

indicator in the Key Investor Information Document (CESR guidelines/10-673).

(6) (new - State Gazette, issue 55 of 2022) The key investor information document must contain a clear warning in case the collective investment scheme allows charging and payment of performance fees and in periods of negative performance of the collective investment scheme.

(7) (new - State Gazette, issue 55 of 2022) In case performance fees withheld from investors are calculated based on a market index, the prospectus and the key investor information document must state the name of the market index and the past performance against it.

(8) (new - State Gazette, issue 55 of 2022) In the cases under Art. 138c, para. 5 the prospectus of a collective investment scheme should contain a justification of the chosen benchmark.

(9) (new - State Gazette, issue 55 of 2022) In the prospectus of the collective investment scheme for which a performance fee is foreseen, all necessary information should be clearly indicated so that investors can correctly understand the model of the performance fee and the methodology for its calculation, which includes a description of the method for calculating the fees for results achieved, specifying the specific parameters and the date on which the fee is paid. The prospectus should include specific examples of how the performance fee will be calculated, giving investors a clear idea of the performance fee model, especially where that model allows performance fees to be charged in the event of negative results.

Art. 72. (Supplemented – State Gazette, No. 63 /2016; amended No. 55 / 2022) (1) (Revoked – State Gazette, No. 55 /2022)

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

1. the volume and structure of investments in the portfolio by issuers and types of securities and other financial instruments;
2. the types of derivative instruments, main risks associated with underlying assets of derivative instruments, quantitative limitations and selected methods for evaluation of risk associated with the transactions with derivative instruments.

(3) (Amended – State Gazette, No. 55 of 2022) Information under para. 2 is not published and it serves only for the Commission's supervisory purposes.

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

Art. 73. (Amendment, previous text of para. 1 - State Gazette No. 63 /2016; amended and supplemented, No. 55 /2022; amended No. 38/ 2023. The annual report of the collective investment scheme includes:

1. an annual financial statement under the Accounting act certified by a registered auditor, as well as an auditor's report;
2. (amended – State Gazette, No. 63 /2016) an annual report on the activity under Art. 39 of the Accounting act;
3. (amended – State Gazette, No. 55 /2022) in cases where the collective investment scheme invests a significant part of its assets in accordance with Art. 48, para. 4 CISOUČIA the information on the maximum percentage of charged management fees, collected both from the collective investment scheme itself and from the collective investment schemes or collective investment undertakings in which it invests;
4. (amended – State Gazette, No. 63 / 2016) reports from a financial statement: reports

according to a standard form consisting of an accounting balance, income report, cash flow report, and report on the changes in equity established by the Deputy Chairperson based on the international accounting standards and best international practices;

5. additional information including:

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

b) net asset value per unit;

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

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

e) (amended – State Gazette No. 63 / 2016) changes in the condition of assets within the reporting period, including income from investments; other income; management expenses; depositary's fee for servicing; other payments and taxes, net income; distribution of income and investments of this income; changes in own funds; increase or reduction of investments and all other changes which have affected the value of assets and liabilities, expenses made by the collective investment scheme associated with transactions with assets from the portfolio;

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

g) detailed information on the liabilities arising from transactions with derivative instruments under Art. 38, para. 1, item 7 and 8 of CISOU CIA for the reporting period, by transaction categories;

6. (New - State Gazette No. 63 /2016) information on the remuneration policy:

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

b) the total amount of remuneration with breakdown by categories of employees or other staff members in accordance with Art. 108, para. 1 of CISOU CIA;

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

d) (amended – State Gazette, No. 38/2023) the result of reviews under Art. 108, para. 7 and 8 of CISOU CIA, including any irregularities found;

e) significant changes in the adopted remuneration policy.

7. (New - State Gazette No. 55 of 2022) information on the method used to calculate the total risk exposure, according to the CESR Guidelines for Risk Measurement and Calculation of Total Risk Exposure and Counterparty Risk in Collective Investment Schemes (CESR/10-788), in if the investment policy of the collective investment scheme explicitly provides for the possibility of investing in derivative financial instruments;

8. (New - State Gazette No. 55 /2022) information on the impact of performance fees on the collective investment scheme, which includes the total amount of performance fees charged and/or paid during the reporting period, as well as the percentage of fees based on the net value of the unit class of the collective investment scheme.

(2) (Revoked – State Gazette, No. 63 /2016)

Art. 74. (Amended – State Gazette, No. 63 /2016; amended No. 55 /2022; supplemented issue 36 /2023)

(1) (Amended – State Gazette, No. 55 /2022; supplemented No. 36/ 2023. The Commission verifies regularity and completeness of presented information under Art. 72, para. 2, Art.73, 75 and 76, whereas in the event that gaps and other inconsistencies are discovered, by the Deputy Chairperson's demand the investment company or the management company of the collective investment scheme must rectify these within a sufficient period determined by the Deputy Chairperson.

(2) (Amended – State Gazette, No. 63 / 2016) The Deputy Chairperson takes a decision under para. 1 in the manner of Art. 265 of CISOUCA.

Art. 75. (Amended – State Gazette, No. 63 /2016; amended and supplemented, No. 55 /2022; amended No. 36/ 2023. The annual report of the collective investment scheme includes:

1. (amended – State Gazette, No. 63 /2016) set of financial statements in the form of excerpts according to a standard form consisting of an accounting balance, income report, cash flow report, and report on the changes in equity established by the Deputy Chairperson based on the international accounting standards and best international practices;
2. (Supplemented – State Gazette, No. 55 /2022; amended No. 36/2023. additional information under Art. 73, item 5, letters "a"-"e", and item 8
3. (New - State Gazette No. 55 /2022; revoked No. 36 /2023)

Art. 76. (Supplemented – State Gazette, No. 63 /2016; amended and supplemented, No. 55 /2022) (1)

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

(2) (Supplemented – State Gazette, No. 63 /2016) With the annual and six-month report, the collective investment scheme presents information individually about all financial instruments purchased, respectively sold within repo transactions under Art. 50, para. 1, disclosing also the total amount of contracts in effect as of the date of drafting of the report, and also information on the contracts terminated during the reporting period.

(3) (new - State Gazette, issue 55 of 2022) To the annual and six-monthly report of an index-tracking collective investment scheme, including an index-tracking exchange-traded fund, information on the size of the tracking error at the end of the reporting period shall be submitted. The information under the first sentence of the annual report of the collective investment scheme, respectively of the index-tracking exchange-traded fund, also includes an explanation of the deviation between the expected and achieved tracking error for the relevant period, if any, as well as the value and explanation of the annual difference of the follow-up between the results of the fund's activity and the results of the tracked index.

(4) (new - State Gazette, issue 55/ 2022. The annual report of the collective investment scheme also includes information regarding:

- a) the risk exposure achieved by means of efficient portfolio management techniques, respectively the base exposure obtained by means of derivative financial instruments;
- b) the identity of the counterparty of the used techniques for effective portfolio management, respectively of the counterparty of the derivative financial instruments;
- c) the type and amount of collateral received from the collective investment scheme to reduce the counterparty exposure, and when the collateral received from the issuer exceeds 20% of the net asset value of the collective investment scheme - and the identity of the issuer;
- d) it is indicated whether the collective investment scheme is fully secured by securities issued or guaranteed by a member state;
- e) income resulting from effective portfolio management techniques for the reporting period together with direct and indirect operating expenses incurred and fees paid.

(5) (Previous para. 3 - State Gazette No. 55/ 2022) Information under para. 1 and 2 is not published and it serves only for the Commission's supervisory purposes.

Art. 77. (Amended and supplemented – State Gazette, No. 63 /2016; amended and supplemented, No. 55 /2022) (1) (Former text of Art. 77 - State Gazette No. 63 /2016; amended No. 55 /2022) The management company of the collective investment scheme presents to the Commission and publishes in a way determined in the prospectus, summary information on the announced issue values and redemption prices of units at least once a

month within the term under Art. 6, para. 2 of the CISOU CIA, containing the following data presented in a table:

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

7. (New - State Gazette No. 55 /2022) date for which the specified values are valid.

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

1. information under para. 1 by the end of the day, on which the net value of the fund's assets is calculated;
2. information on the indicative net value of the fund's assets immediately after it is determined.

(3) (new - State Gazette, issue 63 /2016; revoked No. 55 /2022)

Art. 78. (repealed – State Gazette, No. 55 /2022)

Art. 79. (Amended – State Gazette, No. 55 /2022; amended and supplemented, No. 36 /2023) (1) (Former text of Art. 79 - State Gazette No. – State Gazette, No. 36/2023. The collective investment scheme discloses to the public the annual and six-month report within the terms under Art. 60, para. 1, item 1 and 2 of CISOU CIA, in the manner established in the prospectus and the Key information document.

(2) (new - State Gazette No. 36 / 2023) The Commission makes public the information received under Art. 73, 75 and Art. 76, para. 3 and 4 through the registers it keeps.

Art. 80. (Amended – State Gazette, No. 63/ 2016. (1) The collective investment scheme from the Member State, which offers publicly its units in the Republic of Bulgaria, publishes and provides to the Commission the entire information provided to the supervisory authority and discloses to the public in the sending country, as well as each update of this information.

(2) (Amended – State Gazette, No. 63 /2016) When requested by an investor, information under para. 1 is provided in Bulgarian.

Art. 81. (Amended – State Gazette, No. 63 /2016; amended and supplemented, No. 55 /2022) (1) (Amended and supplemented, – State Gazette, No. 55/2022. (1) Marketing messages associated with the activity of collective investment schemes, as well as public statements, interviews and presentations of members of the board of directors of an investment company and of other persons working under a contract for the investment company, respectively the members of the management and control body of the management company and other persons working under a contract for the management company, as well as marketing messages prepared and distributed by third parties, used by the investment or management company for marketing purposes, must be approved in advance by the manager of the regulatory compliance department.

(2) (new - State Gazette, issue 55 /2022) The solicitation of investors in a collective investment scheme by telephone calls is only permissible on the basis of pre-prepared information that is approved under para. 1 and fully complies with the Guidelines on Marketing Communications under the Regulation on a collective investment scheme-Border Distribution of Funds (ESMA34-45-1272). A record of the telephone conversation is prepared and stored for a period of at least 5 years, which is provided to the investor or the vice-chairman upon request.

(3) (Previous para. 2, supplemented – State Gazette, No. 55/2022) Where telephone calls are made, including by using a recorded message, to sell units of a collective investment scheme, the following requirements must be met additionally:

1. (Amended – State Gazette, No. 63 /2016) the permissible time interval, during which these calls may be made, is from 10 to 19h;
2. (New - State Gazette No. 55 /2022) the potential investor is notified that the conversation is being recorded;
3. (Previous item 2, amended – State Gazette, No. 55 /2022) during these calls, the following must be stated clearly:
 - a) the identity of the caller and the name of the collective investment scheme, as well as its management company, the shares, respectively units, of which are subject to offering;
 - b) the telephone number or the address, at which the person offering units of the collective investment scheme may be contacted;
 - c) the purpose of calling, where it is an offer for transfer against payment or an invitation to make an offer for purchasing of units of a collective investment scheme;
 - d) the management company's obligation to give the investors an opportunity to familiarise themselves with a current version of the collective investment scheme's prospectus.
 - e) (New - State Gazette No. 55 / 2022) the place where additional information and documents about the collective investment scheme are available.

Art. 82. (Amended – State Gazette, No. 55 /2022) Marketing communications and information materials of the collective investment scheme for which a performance fee is foreseen, must clearly include, if applicable all necessary information so that investors can correctly understand the model of the performance fee and the methodology for its calculation, which includes a description of the method for calculating the fees for results achieved, specifying the specific parameters and the date on which the fee is paid.

Section XI (new - State Gazette No. 63 /2016) Additional requirements for exchange-traded funds

Art. 82a. (New - State Gazette No. 63 /2016; amended No. 55 / 2022) (1) (Amended – State Gazette, No. 55 /2022) The minimum net asset value of an exchange traded fund may not be less than BGN 100,000 and shall be reached within 30 days of the approval of the prospectus. Art. 7, para. 1 and Art. 9 of CISOUCA shall apply accordingly.

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

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

Art. 82b. (New - State Gazette No. 63/2016) (1) Besides the cases under Art. 24b of CISOUCA, the deadline for submission of a request for admission of units of the fund to trading on a regulated market or a multilateral trading system is established in the fund's prospectus.

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

Art. 82c. (New - State Gazette No. 63 /2016; supplemented No. 55 / 2022) (1) (Supplemented – State Gazette, No. 55 /2022) The management company of the exchange-traded fund under the control of the depositary, or the depositary, shall calculate and

disclose the net asset value, issue value and redemption price of the units at least twice a week. The rules of the fund may provide that its net asset value is the latest indicative net asset value calculated on the day on which the issue value and redemption price is calculated.

(2) (Supplemented – State Gazette, No. 55/2022) The management company of the exchange-traded fund, under the control of the depositary, or the depositary shall calculate and disclose at least twice a day an indicative net asset value in hours within the trading session specified in the fund's prospectus. The indicative net asset value according to the first sentence can also be calculated by the market operator on the basis of a contract concluded with the management company.

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

Art. 82d. (New - State Gazette No. 63/2016) (1) The management company of an exchange traded fund concludes a contract with a market maker, who undertakes to provide constant "buy" and "sell" quotes for the fund and thus to ensure that the stock exchange price of the fund's shares does not differ significantly from their value determined on the basis of the net asset value;

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

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

3. in the phase of continuous trade: from the last declared indicative net asset value.

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

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

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

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

(7) The Commission may stop or resume trading of units of an exchange-traded fund, when the interests of unitholders or the market require this.

Art. 82e. (New - State Gazette No. 63 /2016; amended No. 55 /2022) (1) The prospectus under Art. 53a of CISOU CIA of the exchange-traded fund includes information on the manner of rounding the issue value and redemption price of units.

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

(3) (Amended – State Gazette, No. 55 / 2022) When shares/units of an exchange-traded fund purchased on the secondary market are not bought back by the fund, a warning with the following content shall be included in the prospectus and marketing communications of the exchange-traded fund: "Shares/units purchased on the secondary market generally may

not be redeemed by the Exchange Traded Fund. Investors have to buy and sell shares on the secondary market with the help of an investment intermediary and may owe fees for this. In addition, investors may pay more than the current net asset value when buying shares/units on the secondary market and receive less than the current net asset value when selling them.

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

(5) (Revoked – State Gazette, No. 55 /2022)

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

Art. 82f. (New - State Gazette No. 63 /2016; revoked No. 55 /2022)

Section XII (new - State Gazette No. 55 /2022)

Additional requirements for an index-tracking and leveraged index-tracking collective investment scheme

Art. 82g. (New - State Gazette No. 55/2022) (1) A leveraged index-tracking collective investment scheme must comply with the restrictions and rules regarding total risk exposure set out in Art. 43 of CISOUCA. The collective investment scheme calculates its global risk using the commitment method or the value at risk (VaR) method recommended in the CESR Risk Measurement Guidelines and the calculation of the total risk exposure and counterparty risk at collective investment schemes (CESR / 10-788.) The global risk exposure limit also applies to the collective investment scheme that replicates a leveraged index.

(2) An index-tracking collective investment scheme and a leveraged index-tracking collective investment scheme must include in the prospectus additional information according to Annex No. 3.

Chapter Three

STRUCTURES OF MASTER-FEEDER COLLECTIVE INVESTMENT SCHEME TYPE

Section I

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

Art. 83. (Amended – State Gazette, No. 63/2016) (1) The agreement under Art. 71, para. 1, sentence two of CISOUCA must include the elements indicated in para. 2-8.

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

1. indication of the methods and deadlines for the master collective investment scheme to present to the feeder collective investment scheme a copy of the fund's rules or of the instruments of incorporation, the prospectus and the key investor information, and also all their amendments;
2. where applicable, indication of the methods and deadlines for the master collective investment scheme to inform the feeder collective investment scheme on delegation to third parties of the functions of investment management and risk management in accordance with the national legislation of the Member State, which is the Member State of origin of the master collective investment scheme;
3. where applicable, indication of the methods and deadlines for the master collective investment scheme to provide to the feeder collective investment scheme the documents for its internal procedures, e.g. the documents for its risk management procedure and compliance reports;
4. indication of the methods and deadlines for the master collective investment scheme to provide to the feeder collective investment scheme detailed information on violations committed by the master collective investment scheme of the corresponding national law, rules, or instruments of incorporation, and the agreement between the master and feeder

collective investment scheme;

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

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

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

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

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

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

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

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

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

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

4. where applicable, indication of other suitable measures to ensure compliance with the requirements or Art. 72, para. 1 of CISOU CIA;

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

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

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

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

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

1. indication of the method and deadlines, according to which each of the two collective

investment scheme will mutually notify each other about suspension and resuming of redemption, the purchase or subscribing of units of the corresponding collective investment scheme;

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

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

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

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

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

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

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

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

4. (amended – State Gazette, No. 63 / 2016) by either of the two collective investment schemes – in the cases where they intend to replace their management company, the depositary, the auditor, or, where applicable, any third party, to which functions for the management of investments or risk are delegated;

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

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

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

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

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

Section II

Content of the internal rules for the activity

Art. 84. (1) The internal rules for the management company's activity under Art. 71, para.

3 of CISOUZIA contain the elements indicated in para. 2-6 of the present article.

(2) Rules under para. 1 contain suitable measures to resolve conflicts of interest, which might arise between the feeder and master collective investment scheme or between the feeder collective investment scheme and other unitholders of the master collective investment scheme, in the event that these conflicts of interest are not resolved to a sufficient degree using the measures applied by the management company in order to comply with the requirements of Art. 104, para. 1, item 5, Art. 105, para. 1, item 4 of CISOUZIA and Art. 126-130.

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

1. a list of the share classes of the master collective investment scheme, in which the feeder collective investment scheme may invest;
2. indication of the fees and costs outside the cases under Art. 83, para. 1 of CISOUZIA, which the feeder collective investment scheme must pay, and detailed information on discounts or transfer of fees or costs from the master collective investment scheme;
3. where applicable, a description of the conditions, under which initial and subsequent transfer of assets may be performed from the feeder to the master collective investment scheme.

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

1. With regard to standard clauses for business relationships, the rules under para. 1 must include:
2. coordination of transfer of orders for purchase/ sale by the feeder collective investment scheme, including, where applicable, the role of intermediaries or any other third party;
3. where applicable, indication of clauses taking into account the fact that the units of one of the two or both collective investment schemes are admitted to or traded on a secondary market;
4. where applicable, a description of the suitable measures to ensure compliance with the requirements of Art. 72, para. 1 of CISOUZIA;
5. where units of the feeder and master collective investment scheme are denominated in different monetary units, the principles for re-calculation (conversion) of orders for purchase/sale are indicated;
6. indication of the settlement cycle and detailed information on payment with regard to purchase, subscribing, or redemption of units of the master collective investment scheme, including, where this is agreed between the parties, the conditions, under which the master collective investment scheme may satisfy demands for redemption or repurchase by transferring assets of the feeder collective investment scheme, more specifically in the cases under Art. 73 and 74 of CISOUZIA;
7. where the fund's rules or the instruments of incorporation and the prospectus of the master collective investment scheme grant it certain rights with regard to unitholders, and when it decides to limit or forfeit exercising all or a part of these rights with regard to the feeder collective investment scheme - the conditions for doing so;
8. description of the procedures ensuring the suitable processing and response to the requests and complaints from unitholders.

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

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

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

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

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

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

Section III

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

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

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

a) request for approval of the above investment;

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

c) amendments to its prospectus and key investor information under Art. 58 and 66 of CISOU CIA;

d) other documents required under Art. 69, para. 3, 5, and 6 of CISOU CIA;

2. where the feeder collective investment scheme intends to transform into a collective investment scheme, which is not a feeder collective investment scheme, under Art. 73, para. 1, sentence two of CISOU CIA:

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

b) amendments to its prospectus and key investor information under Art. 58 and 66 of CISOU CIA;

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

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

(3) The feeder collective investment scheme shall inform in due time its unitholders about its intention to start a liquidation procedure.

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

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

(3) After the feeder collective investment scheme is notified by the Commission that it has received the necessary approvals under Art. 85, para. 1, item 1, the feeder collective

investment scheme undertakes in due time the necessary measures to comply with the requirements of Art. 79 and 80 of CISOU CIA.

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

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

a) in the form of a monetary payment; or

b) a part or all of the income is received by transferring assets, if the following conditions are met, where applicable: aa) the feeder collective investment scheme so desires; bb) this is stipulated in the agreement between the feeder and the main collective investment scheme or in the internal rules of the activity; cv) this is provided for in the liquidation decision;

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

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

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

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

a) request for approval of this intention;

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

c) amendments to the prospectus and key investor information under Art. 58, respectively 66 of CISOU CIA;

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

a) request for approval of the above investment;

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

c) amendments to the prospectus and key investor information under Art. 58, respectively 66 of CISOU CIA;

d) other documents required under Art. 69, para. 3, 5, and 6 of CISOU CIA;

3. where the feeder collective investment scheme intends to transform into a collective investment scheme, which is not a feeder collective investment scheme, under Art. 73, para. 1, sentence two of CISOU CIA:

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

b) amendments to the prospectus and key investor information under Art. 58, respectively 66 of CISOU CIA;

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

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

where:

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

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

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

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

(5) The feeder collective investment scheme informs in due time its unitholders and the master collective investment scheme about its intention to start a liquidation procedure.

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

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

(3) After the feeder collective investment scheme is notified by the Commission that it has received the necessary approvals under Art. 87, para. 1, item 1, the feeder collective investment scheme undertakes in due time the necessary measures to comply with the requirements of Art. 79 and 80 of CISOUČIA.

(4) In the cases under Art. 87, para. 1, item 2 and 3, the feeder collective investment scheme must exercise its right to request redemption of its units of the master collective investment scheme under Art. 74, para. 3, and Art. 153, para. 1 and 2 of CISOUČIA, where the Commission has not issued to the feeder collective investment scheme the necessary approvals required under Art. 87, para. 1, before the business day preceding the business day, on which the feeder collective investment scheme may demand redemption of its units of the master collective investment scheme, before the merger or splitting comes into effect.

(5) The feeder collective investment scheme must exercise the right under the previous paragraph, in order to guarantee that the right of its unitholders to demand redemption of their units of the feeder collective investment scheme under Art. 79, para. 1, item 4 of CISOUČIA, is not violated.

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

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

1. in the form of a monetary payment;

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

- a) the feeder collective investment scheme has requested this, and
- b) this is stipulated in the agreement between the feeder and master collective investment scheme.

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

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

Section IV

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

Art. 89. (Amended – State Gazette, No. 63/2016) The agreement under Art. 75 of CISOU CIA for exchange of information between the depositary of the master collective investment scheme and the depositary of the feeder collective investment scheme shall include:

1. (amended – State Gazette, No. 63 / 2016) indication of the documents and information categories which shall be exchanged regularly between the two depositaries, and an indication whether these documents and information shall be provided by one depositary to another, or be provided by request;
2. (amended – State Gazette, No. 63 /2016) indication of the manner and period, including any deadlines for forwarding of information from the master collective investment scheme's depositary to the feeder collective scheme's depositary;
3. (amended – State Gazette, No. 63 /2016) coordination of the functions of depositaries on operating matters, taking into account their respective obligations under national law, as follows:
 - a) description of the procedure for calculation of net asset value of each of the two collective investment schemes, including any measures to avoid application of strategies with selection of the market moment with regard to units (market timing) under Art. 72, para. 1 of CISOU CIA;
 - b) description of the methods and periods for processing of directions by the feeder collective investment scheme for the purchase, subscribing, or submission of request for redemption of units of the master collective investment scheme, and also performing these operations, including any clauses for transfer of assets, where this is applicable;
4. coordination of preparation of annual financial statements;
5. (amended – State Gazette, No. 63 /2016) indication of the methods and periods, within which the master collective investment scheme's depositary shall provide to the feeder collective investment scheme's depositary detailed information on violations of the corresponding national law, fund rules or instruments of incorporation, committed by the master collective investment scheme;
6. (amended – State Gazette, No. 63 /2016) description of the procedure for response to requests for cooperation for a specific matter by one depositary to the other;
7. (amended – State Gazette, No. 63 /2016) indication of the cases of unforeseen events, for which the depositaries need to inform each other, and also the method and periods for this notification.

Art. 90. (Amended – State Gazette, No. 63 / 2016) (1) (Amended – State Gazette, No. 63 /2016) Where the feeder and master collective investment scheme have concluded an agreement under Art. 71, para. 1, sentence two of CISOU CIA, the agreement between their depositaries should state that the law of the Member State applied to the indicated

agreement under Art. 83, para. 8, applies also to the agreement for exchange of information between the depositaries, and also that the depositaries accept the exclusive competence of the courts of law of the corresponding Member State, the law of which the two collective investment schemes have accepted as applicable with regard to the agreement.

(2) (Amended – State Gazette, No. 63 /2016) Where the agreement between the feeder and master collective investment scheme is replaced by internal rules for the activity under Art. 71, para. 3 of CISOU CIA, the agreement between their depositaries indicates whether the law applicable with regard to exchange of information between the two depositaries will be the right of the Member State, where the feeder collective investment scheme is established, or the law of the Member State, where the master collective investment scheme is established, and also that both depositaries accept the exclusive competence of the courts of the Member State, the law of which is applicable to the agreement for exchange of information.

Art. 91. (Amended – State Gazette, No. 63/2016) Irregularities indicated in Art. 76 of CISOU CIA, which the depositary of the master collective investment scheme may discover in performance of its functions and which may have a negative effect on the feeder collective investment scheme, include at least:

1. errors in the calculation of the net asset value of the master collective investment scheme;
2. errors in operations for the purchase, subscribing, or redemption of units of the master collective investment scheme, or errors in the settlement of payments for them;
3. errors in payment or capitalization of income from the master collective investment scheme or errors in calculations of any fees withheld with regard to this income;
4. non-compliance with investment aims, policy, or strategy of the master collective investment scheme described in the fund rules or the instruments of incorporation, the prospectus or key investor information;
5. non-compliance with the limitations for investment or receiving of loans under CISOU CIA, the fund rules, the instruments of incorporation, the prospectus or the key investor information.

Art. 92. (1) The agreement for exchange of information between the independent auditor of the master collective investment scheme and the independent auditor of the feeder collective investment scheme under Art. 77, para. 1 of CISOU CIA contains the following:

1. indication of the documents and categories of information, which shall be exchanged regularly between the two auditors;
2. instruction whether information or documents under item 1 shall be provided by one auditor to the other, or provided by request;
3. indication of the manner and deadlines for forwarding of information from the master collective investment scheme's independent auditor to the feeder collective investment scheme's independent auditor;
4. coordination of each independent auditor's participation in the preparation of the corresponding collective investment scheme's annual financial statements;
5. description of the problems, which will be considered irregularities, indicated in the audit report of the master collective investment scheme's auditor for the purposes of Art. 77, para. 3 and 4 of CISOU CIA;
6. indication of the way and deadlines for response to the requests for cooperation for a specific matter from one auditor to the other, including with regard to the request for additional information on irregularities indicated in the audit report by the master collective investment scheme's auditor.

(2) The agreement under para. 1 includes provisions on the preparation of audit reports under Art. 60, para. 4 and 5, and Art. 77, para. 3 and 4 of CISOU CIA, and also on the manner and deadlines for providing the audit report for the master collective investment

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

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

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

Section V

Manner of providing of information to unitholders

Art. 94. The feeder collective investment scheme provides the information under Art. 79 of CISOU CIA to unitholders in the manner stipulated in Art. 106.

Chapter Four CONVERSION AND WINDING-UP OF COLLECTIVE INVESTMENT SCHEMES
Section I

Conversion with participation only of collective investment schemes originating from the Republic of Bulgaria

Art. 95. (Amended – State Gazette, No. 63 /2016) (1) For issuing of a permit under ar. 141, para. 1 of CISOU CIA, the following shall be attached to the request under Art. 144, para. 1.

1. plan for the suggested conversion, approved by the collective investment schemes being converted, and in the cases of conversion by acquisition, also by the receiving collective investment scheme with the content under Art. 145, para. 2 and 3 of CISOU CIA.

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

3. (amended – State Gazette, No. 63 /2016) declaration by the depositaries of the converting and receiving collective investment schemes that the information under Art. 145, para. 2, item 1, 6, and 7 of CISOU CIA in the content of the conversion plan is in compliance with the requirements of the law, the rules or respectively the statute of the collective investment scheme.

(2) Approval of the conversion plan under para. 1, item 1 is done in the manner of Art. 143 of CISOU CIA with a decision by the general meeting of the investment company, respectively with a decision of the management body of the management company of the mutual fund, which is certified by presenting the corresponding document – minutes of the general meeting or a decision of the managing body of the management company.

Art. 96. When reviewing the documents under Art. 95, the Commission takes into account the potential effect of conversion on unitholders of the converting collective investment schemes, to determine whether suitable information is being provided to them, and may request in the manner of Art. 144, para. 3 and 4 of CISOU CIA for information to be provided more clearly to unitholders of converting collective investment schemes.

Art. 97. The Commission issues a permit to perform conversion if:

1. the submitted request and documents attached to it are in compliance with the requirements of Art. 95;
2. the receiving or newly founded collective investment scheme has submitted notification for offering of its units in all member states where the converting companies have submitted notification or have already received permission to offer their units in the manner of Art. 136 of CISOU CIA.
3. the Commission believes that unitholders are provided with suitable information on the conversion;
4. a report prepared by an independent auditor under Art. 150 of CISOU CIA is presented;
5. a document certifying the payment of the corresponding fee by the converting collective investment scheme is presented.

Art. 98. (Amended – State Gazette, No. 55/ 2022) (1) In the event of conversion by merger, together with the permission for conversion under Art. 141, para. 1 of CISOU CIA, the Commission shall issue a license to operate to the newly founded investment company, respectively issue a permit for the organisation and management of a mutual fund to the management company, which according to the conversion plan will manage the newly founded mutual fund.

(2) In the cases under para. 1, documents under Art. 12 of CISOU CIA for the newly founded collective investment scheme shall be attached to the request for issuing of permission under Art. 141, para. 1 of CISOU CIA.

(3) (Amended – State Gazette, No. 55 /2022) Simultaneously with the issuing of the license for the newly founded investment company and the permit for the management company to organize and manage the newly founded mutual fund, the Commission approves the prospectus and key investor information document of the newly founded collective investment scheme.

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

Section II

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

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

Section III

Conversion an investment company into a mutual fund

Art. 100. (Amended and supplemented – State Gazette, No. 63/2016. (1) For the issuing of a permit for conversion of an investment company into a mutual fund, a request is submitted according to a standard form, approved by the Commission, and the following are attached:

1. minutes of the general meeting of shareholders of the investment company, at which the

decision for its conversion is made;

2. prospectus and document with key investor information of the newly founded mutual fund;
3. (amended – State Gazette, No. 63 / 2016) the contracts or additional agreements with the management company and the depositary, reflecting the change in the legal and organisation form of the collective investment scheme;
4. circumstances and justification of the proposed conversion;
5. the mutual fund's rules;
6. expected effect of the proposed conversion on the shareholders' rights;
7. the rules under which shares of the investment company are replaced with units of the newly founded mutual fund.

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

(3) On the basis of the submitted documents, the Commission establishes the extent to which the requirements for issuing the requested permit have been met. If the submitted information or documents are incomplete or improper, or if additional information or evidence is needed for the accuracy of the data, the Commission shall send a message about the detected incompleteness or inconsistencies or about the requested additional information and documents.

(4) If the message under para. 3 is not received at the address for correspondence specified by the applicant, the period for presenting the data or documents starts from the placement of the message in a specially designated place in the Commission's building. This circumstance is certified by a protocol drawn up by officials appointed by order of the Chairperson of the Commission.

(5) The Commission shall refuse to issue a permit, if the documents presented under para. 1 are not in compliance with the requirements of CISOUCA and the present Ordinance, or the investors' interests are not protected. Applicants are notified in writing of the decision within 3 days.

(6) (Supplemented – State Gazette, No. 63 /2016) The Commission sends the permit for conversion of the investment company into a mutual fund to the Registry Agency, which removes the investment company from the commercial register.

Section IV

Providing information to unitholders about the effect of conversion on their investments

Art. 101. (1) The information provided by collective investment schemes participating in conversion to unitholders under Art. 151, para. 1 of CISOUCA must be presented briefly and without the use of specialised terminology, so that unitholders may make an informed evaluation of the effect of conversion on their investment.

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

(3) In the event of conversion with the participation also of collective investment schemes originating from another Member State, the information provided by the conversion and the collective investment scheme included in conversion originating from the Republic of Bulgaria to their unitholders under Art. 151, para. 1 of CISOUCA should also include all conditions and procedures associated with collective investment schemes originating from another Member State, which differ from those usually applied in the Republic of Bulgaria.

(4) Information, which must be provided by the converting collective investment scheme to its unitholders under Art. 151, para. 1 of CISOUCA, must correspond to the needs of investors who are not informed in advance about the characteristics of the receiving,

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

(5) The information which the receiving collective investment scheme must provide to its unitholders under Art. 151, para. 1 of CISOU CIA, must stress the implementation of conversion and its potential effect on the receiving collective investment scheme.

Art. 102. (1) The information which the converting collective investment scheme must provide to its unitholders under Art. 151, para. 1, item 2 of CISOU CIA, must also include:

1. detailed information about the differences in the unitholders' rights in the converting collective investment scheme before and after conversion is effective;
2. if the key investor information document of the converting and receiving, respectively newly founded collective investment scheme expresses synthetic indicators for risk and reward with different categories or showing different risks – indication of the differences between these categories and risks;
3. comparison between all fees, commissions, and other expenses for the converting and receiving, respectively newly founded, collective investment scheme based on the data indicated in their key investor documents.
4. if the converting collective investment scheme charges a fee based on results – explanation of the manner, in which this fee shall be applied until conversion is effective;
5. if the receiving collective investment scheme charges a fee based on results – explanation of the manner, in which this fee will be charged subsequently, in order to ensure fair treatment of unitholders, who have held units of the converting collective investment scheme before conversion became effective;
6. in the cases where collective investment schemes from Member States are participating in conversion, and according to the Member State's law the expenses associated with preparation and implementation of conversion are borne by unitholders of these collective investment schemes – detailed information about the manner, in which these expenses will be distributed;
7. information whether conversion of the portfolio of the converting collective investment scheme is intended before conversion is effective.

(2) Information, which the receiving collective investment scheme must provide to its unitholders under Art. 151, para. 1, item 2 of CISOU CIA, must include information whether conversion is expected to have a significant effect on the receiving collective investment scheme's portfolio and whether its conversion is intended before or after the scheme's conversion is effective.

Art. 103. (1) The information which the collective investment scheme involved in conversion must provide to its unitholders under Art. 151, para. 1, item 3 of CISOU CIA, also includes:

1. a detailed description of the manner in which all accrued income in the collective investment scheme will be treated;
2. description of the manner, in which the independent auditor's report can be received;
3. in the event of conversion of an investment company: information on the manner, in which shareholders approve the conversion decision, including reference to Art. 143 of CISOU CIA;
4. detailed data on planned suspension of sale and redemption of units with the aim of effective implementation of conversion;
5. the date, on which conversion will come into effect.

Besides the information under para. 1, item 1 and 2, in the cases where conditions of conversion envisage payment of cash funds in the cases under Art. 142, para. 1 and 2 of CISOU CIA, the converting collective investment scheme provides to its unitholders information about the offered payment, including when and how unitholders shall receive

the payment.

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

Art. 104. The information which the converting collective investment scheme must provide to its unitholders under Art. 151, para. 1 of CISOUICIA, must also include:

1. the term within which unitholders may purchase units or demand redemption of their units by the converting collective investment scheme;
2. the moment from which unitholders, who have not exercised their right under Art. 152 of CISOUICIA, may exercise their rights of unitholders of the receiving, respectively newly founded collective investment scheme;
3. where the converting collective investment scheme is an investment company, explanation that shareholders who have not voted or have voted against the conversion proposal and have not exercised their right under Art. 152 of CISOUICIA, become unitholders of the receiving or newly founded collective investment scheme.

Art. 105. (1) Under Art. 151, para. 1, item 5 of CISOUICIA, unitholders of the converting collective investment scheme are provided with a copy of the updated key investor information document of the receiving, respectively newly founded, collective investment scheme, and the unitholders of the receiving collective investment scheme are provided with a copy of the updated key investor document of the receiving scheme, if the information has been modified for the purposes of the proposed conversion.

(2) In the period between the date, on which unitholders of the collective investment scheme involved in conversion are provided with the information under Art. 151, para. 1 of CISOUICIA, and the date, on which the conversion becomes effective, information under Art. 151, para. 1 of CISOUICIA, including a copy of the updated key investor information document of the receiving scheme shall be provided to any person purchasing units or requesting a copy of the rules or statute, prospectus, or the key investor information document of the converting or receiving collective investment scheme.

Art. 106. (Effective from 31.12.2013; supplemented issue 63/2016) (1) The collective investment scheme involved in conversion with origin Member State the Republic of Bulgaria provides the information under Art. 151 of CISOUICIA to unitholders on paper or another durable medium.

(2) (Supplemented – State Gazette, No. 63/2016) Information is presented on another durable medium in the following circumstances:

1. providing of information in this manner is justified with regard to the conditions, in which business relationships are conducted or will be conducted between the unitholder and the collective investment scheme;
2. an offer has been made to the unitholder to choose between providing information on paper or another durable medium and he/she has specifically chosen for information to be provided on the other offered durable medium.

(3) Providing of information by electronic messages is considered justified with regard to the conditions, in which the business relationship between the unitholder and the collective investment scheme is being conducted or will be conducted in accordance with para. 2, item 1, where proof is available indicating that the client has regular access to Internet. Providing an electronic mail address by the unitholder for the purpose of his/her business relationship with the collective investment scheme is considered proof that the client has regular access to Internet.

Section V

Winding up of a collective investment scheme

Art. 107. (Amended – State Gazette, No. 63 /2016; amended and supplemented, No. 55 / 2022) (1) (Amended – State Gazette, No. 55/ 2022) Within a 14-day period from a reason to wind up an investment company arising under Art. 252, para. 1, item 1, 2, and 7 of the

Commercial act (CA), it must submit to the Commission a request for issuing of a permit for its winding up, attaching the following:

1. a document establishing the grounds for winding up;
2. (amended – State Gazette, No. 63/2016) financial statement in accordance with the requirements of Art. 29, para. 9 of AA as of the date the reason for termination has arisen;
3. liquidation plan, which must include measures for the protection of the company's shareholders, including a prohibition of conclusion of transactions with its assets, with the exception of cases under Art. 268, para. 1 of the CA;
4. (amended – State Gazette, No. 55/2022) names, Personal N and registration address, profession or occupation, professional experience and qualification of the offered liquidator (liquidators), as well as the following documents:
 - a) criminal record certificate;
 - b) declaration that the person has not been declared insolvent and is not undergoing an insolvency procedure;
 - c) declaration that the person has not been a member of a management or control body or a partner with unlimited responsibility in a company, for which an insolvency procedure is initiated, or a company wound up due to insolvency, if unsatisfied creditors have remained;
5. (Supplemented – State Gazette, No. 55/2022) document certifying the payment of the corresponding fee in accordance with the Tariff for fees collected by the Financial supervision committee under the Financial supervision committee act, unless it is paid electronically.

(2) (Amended and supplemented – State Gazette, No. 55/2022) Within 14 days of grounds arising for winding up of the mutual fund under art 363, items "a" and "b" of the Obligations and contracts act and/or as stipulated in the mutual fund's rules, the management company must submit to the Commission a request for issuing of a permission to wind up the mutual fund, attaching the following:

1. (amended – State Gazette, No. 55/2022) the decision of the governing body of the management company to wind up the mutual fund taken based on the mutual fund's rules;
2. liquidation plan, which must include measures for the protection of unitholders, including a prohibition of conclusion of transactions with assets of the fund, unless this is necessary for liquidation;
3. documents and information under para. 1, item 2, 4, and 5.

(3) (Amended – State Gazette, No. 55/2022) Members of the management body of the investment company, of the management company that managed the collective investment scheme, or other persons who worked under a contract for the investment company and the management company cannot be appointed as liquidators if they have been charged with systematic violation of the CISOUČIA, the POSA, the MFIA, the repealed Special Investment Purpose Companies Act, the Special Investment Purpose Companies and Securitisation Companies Act and the Measures against Market Abuse of Financial Instruments or the acts on their implementation, as well as on applicable regulations of the European Union in the field of capital markets.

(4) (Supplemented – State Gazette, No. 55/2022) Where the mutual fund is being wound up, Art. 267, Art. 268, para. 1 and 3, Art. 270, Art. 271, and 273 of the CA are applied respectively to the liquidator's obligations and the protection of the mutual fund's creditors, whereas the management body's functions under Art. 270, para. 2 and Art. 272, para. 4 of CA are performed by the management company. The announcement of the invitation in the commercial register in accordance with Art. 267, second sentence of the CA is carried out on the account of the management company.

Art. 108. (Amended – State Gazette, No. 55/2022. The Commission reviews the submitted request and takes a decision within a 14-day period of its receiving, and where additional data and documents are requested - within a 7-day period of their receiving. Art. 12, para. 4 and 5 of CISOUČIA shall apply accordingly.

Chapter Five
ADDITIONAL REQUIREMENTS FOR THE ACTIVITY OF COLLECTIVE INVESTMENT
SCHEMES

Section I

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

Art. 109. (Amended and supplemented – State Gazette, No. 63 /2016; amended No. 55 / 2022) (1) (Amended – State Gazette, No. 63 /2016) In the events where the license to pursue activity has been withdrawn, where the management company is being wound up or declared insolvent, it immediately forwards to the depositary the entire available information and documentation associated with management of the mutual fund. The depositary manages the mutual fund as an exception for a period up to 3 months.

(2) (Amended and supplemented – State Gazette, No. 63 /2016) In the event that the management company's license is withdrawn, it is wound up or declared bankrupt, and also where its contract with the investment company is cancelled due to non-performance of the management company's obligations, it immediately hands over its entire available information and documentation associated with the management of the investment company to the investment company it manages.

(3) (Amended – State Gazette, No. 63 /2016) Within a 14-day period from the arising of the circumstance under para. 1 and 2, the depositary, respectively the investment company, must offer in writing to at least three management companies to take over management of the collective investment scheme, respectively convert it through merger or acquisition.

(4) (Amended – State Gazette, No. 63 /2016) Invitations under para. 3 have identical content and are presented to the Deputy Chairperson within a 3-day term of their sending to the corresponding management companies, indicating the criteria and motives based on which these management companies are selected by the depositary, respectively the investment company. Management companies must at least comply with the following conditions:

1. they must have a permit for organizing and management of a collective investment scheme;
2. the capital adequacy and liquidity of each one of them must correspond to the regulatory requirements and must not be violated by taking on the management of the mutual fund;
3. over the last two years preceding the conclusion of the contract, the management company must not have been imposed a financial sanction, and the members of its management and control body must not have been imposed administrative penalties for violations of the CISOUCA and the acts for its application.

(5) (Amended – State Gazette, No. 63 /2016) Within a one-month period of sending of all invitations under para. 3 at the Commission, the management companies wishing to take over management of the collective investment scheme or respectively convert it, must present to the depositary, respectively the investment company, a plan for the management of the collective investment scheme within a 1-year term of taking over of this management, or a plan for its conversion.

(6) (Amended – State Gazette, No. 63/ 2016) Within a 7-day period from expiration of the deadline under para. 5, the depositary, respectively the investment company, shall select the management company to take over management of, respectively to convert the collective investment scheme, and notify the Commission, specifying the motives for the choice it has made, and notifies the corresponding management company.

(7) (Amended – State Gazette, No. 55 of 2022) The selected management company shall submit the management plan of the collective investment scheme to the Deputy Chairperson within 14 days of receiving the notification that it has been selected, respectively from the

decision for its approval by the general meeting of shareholders of the investment company, as well as documents under Art. 37a of Ordinance No. 11 of 3.12.2003 on licenses for operating as a regulated market, market operator, for organizing a multilateral trading system or an organized trading system, for operating as an investment firm, investment company, management company, a special investment purpose company, a national investment fund and an alternative investment fund manager (State Gazette, No. 109 of 2003) (Ordinance No. 11), the relevant documents for an investment company or the conversion plan and the documents under Art. 145 CISOU CIA.

(8) (Amended and supplemented – State Gazette, No. 63 /2016) When drawing up the documents under para. 7, the management company may not change significantly the rules and the prospectus of the collective investment scheme, including significant changes to its risk profile.

(9) The Deputy Chairperson makes a decision on the presented documents in the manner of Art. 18 of CISOU CIA.

(10) (Amended and supplemented – State Gazette, No. 63 /2016) If a management company to manage, respectively restructure the collective investment scheme is not selected and approved, or the Deputy Chairperson refuses to issue a permit to the new management company to manage the collective investment scheme, respectively to convert it, a procedure under Art. 107 for winding up of the scheme is started regardless of the expiration of the 3-month period under para. 1 and 2.

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

Section II

Maintaining accounting and storage of documentation

Art. 110. (Amended and supplemented – State Gazette, No. 63 /2016; supplemented No. 55/2022) (1) The investment company must store the entire documentation and information associated with its activity, including:

1. the statute and other charters, their amendments and supplements, acts for registration and amendments to the investment company's account;
2. minutes of the general meeting of the investment company's shareholders, numbered and filed in chronological order, in a form that makes it impossible to remove or replace pages or individual parts from them;
3. minutes of the meetings of the management and controlling bodies of the investment company in a form that makes removal or replacement of pages or individual parts of them impossible;
4. the prospectus and the key investor information document, as well as all their updates;
5. accounting documents;
6. incoming and outgoing correspondence, filed in a way that makes it impossible to remove or replace pages or individual parts of them;
7. list, updated as of the last day of each month, of the persons related within the meaning of § 1, item 20 of the supplementary provision of CISOU CIA to:
 - a) the investment company and the members of its management or controlling body;
 - b) the management company and the members of its management or controlling body, as well as the grounds for relation;
8. monthly accounting balances;
9. marketing messages and publications associated with the issuing (sale) of shares in the investment company;
10. (New - State Gazette No. 63 /2016) shareholders' complaints and data on actions taken

regarding these.

(2) (Amended – State Gazette, No. 63 / 2016) The documents shall be stored in the manner for storage of the state archive fund, whereas accounting information and documentation shall be stored for the periods under Art. 12 of the AA, and the remaining documents and information – for a period of 5 years.

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

(4) (Amended – State Gazette, No. 63 /2016) In the cases where the investment company stores documentation under para. 1, it provides to the management company and the depositary copies of the documents needed for its activity.

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

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

(7) (new - State Gazette, issue 55 of 2022) When in the last updated list under para. 1, item 7, no changes have occurred, the investment company shall keep a statement from the members of its management body about the lack of changes for the current month.

Section III

Provision of up-to-date information to the competent authorities of the host Member State from collective investment schemes originating in the Republic of Bulgaria (Title amended – State Gazette, No. 55 /2022)

Art. 111. (repealed – State Gazette, No. 55 /2022)

Art. 112. The management company of a collective investment scheme, toward which a procedure under Art. 136 of CISOUCA is initiated, ensures the availability in a widely used electronic format of all documents attached to the notification letter under Art. 136, para. 2 of CISOUCA, on its Internet page or on another Internet page indicated in the notification letter, to which the receiving Member State has access.

Art. 113. (Supplemented – State Gazette, No. 55/ 2022) (1) The management company of a collective investment scheme, toward which a procedure under Art. 136 of CISOUCA is initiated, notifies the receiving Member State of all updates and amendments of the documents under Art. 136, para. 7 and 8 of CISOUCA, by sending an electronic letter to an address indicated by the competent authorities of the receiving Member State.

(2) (Supplemented – State Gazette, No. 55/2022) The electronic letter under para. 1 describes the performed update or amendment of the corresponding document, or the updated or amended document in a broadly used electronic format is attached to the electronic letter, in compliance with the requirements of Art. 137, para. 3 of CISOUCA.

Art. 114. (Amended and supplemented – State Gazette, No. 55 /2022) (1) (Former text of Art. 114 - State Gazette No. 55/ 2022) The Commission publishes on its page an electronic address, at which the collective investment schemes originating from another Member State shall notify with an electronic letter about all updates and amendments to the documents under Art. 128, para. 3 of CISOUCA.

(2) (new - State Gazette No. 55/2022) The electronic letter under para. 1 describes the performed update or amendment of the corresponding document, or the updated or amended document in a broadly used electronic format is attached to the electronic letter, in compliance with the requirements of Art. 131, para. 2 of CISOUCA.

Chapter six

REQUIREMENTS FOR THE ACTIVITY OF THE MANAGEMENT COMPANY

Section I

General requirements regarding the procedures and organisation of the management company

Art. 115. (Supplemented – State Gazette, No. 55 /2022, effective from 01.08.2022) (1) The management company

1. adopts, applies, and maintains written procedures for taking of decisions, and creates an organisation structure, which clearly defines the reporting systems and distributes functions and responsibilities;
2. guarantees that its employees are familiar with the procedures, which must be followed for the correct implementation of their working obligations;
3. adopts, applies, and maintains adequate mechanisms for internal control, ensuring compliance with decisions and procedures at all levels of the management company;
4. adopts, applies, and manages effective internal procedures for reporting and exchange of information at all levels in the management company, and also an effective exchange of information with third parties, with which the company has a relationship;
5. maintains documentation and keeps an archive of its business activity and internal organisation.

(2) When organizing its activity, the management company takes into account the nature, scale, and complexity of this activity, as well as the nature and scope of the services and activities it performs.

(3) The management company adopts, applies, and maintains:

1. systems and procedures ensuring the security, integrity, and confidentiality of information depending on its character;
2. adequate policy for continuity of business activity, which aims, in the event of omissions in systems and procedures, to protect the main information and functions, and also to support the services and activities, or where this proves impossible, to ensure the timely restoration of information and functioning, and the timely resuming of services and activities performed by the company;
3. accounting policies and procedures allowing, when requested by the Commission, providing to it in a timely manner the financial statements reflecting correctly and fairly the management company's financial state; the accounting policies and procedures should be in compliance with all applicable accounting standards and norms and ensure the protection of unitholders.

(4) (new - State Gazette, issue 55 /2022, effective from 01.08.2022) The management company takes into account the sustainability risks when fulfilling the requirements under para. 1.

Art. 116. The management company monitors and regularly evaluates the adequacy and effectiveness of its systems, the mechanisms for internal control and organisation established in accordance with Art. 115, and also takes suitable measures to resolve possible gaps and contradictions.

Art. 117. (Amended and supplemented – State Gazette, No. 55/ 2022. (1) The management company hires employees possessing the necessary skills, knowledge, and experience to perform the obligations assigned to them.

(2) The management company has the necessary resources and expert experience allowing it to effectively monitor the activities delegated to third parties in the manner of Art. 106 of CISOU CIA, especially with regard to the management of risk arising from such delegation.

(3) The management company guarantees that performance of more than one function by persons working under a contract for it does not hinder and may not hinder these persons from performing each individual function correctly, fairly, and professionally.

(4) The management company performs its obligations under para. 1-3 taking into account the nature, scale, and complexity of its business activity, and also the nature and scope of services and activities it performs.

(5) (new - State Gazette, issue 55 /2022, effective from 01.08.2022) For the purposes of para. 1 - 3 and in view of the effective reporting of sustainability risks, the management company maintains the necessary resources and expertise.

(6) (Previous para. 5 - State Gazette No. 55/2022) Members of the management company's managing bodies, its employees, and also all other persons working under a contract for the management company, may not disclose, unless authorized for this, or use for their own benefit or the benefit of others, facts and circumstances constituting commercial secret, which have become known to them in connection with performing their professional and work-related obligations.

Section II

Administrative and accounting procedures

Art. 118. (Amended and supplemented – State Gazette, No. 63 / 2016) (1) (Amended – State Gazette, No. 63 /2016)

The management company adopts, applies, and maintains an effective and transparent policy under chapter seven "c" for the reasonable and fast processing of complaints submitted by the investors.

(2) (Amended – State Gazette, No. 63 /2016) The management company documents each submitted complaint and the measures taken with regard to it.

(3) (Amended – State Gazette, No. 63 / 2016) Investors have the right to file complaints without paying a fee. The information regarding the policy under para. 1 is provided free of charge to investors.

(4) (new - State Gazette, issue 63/2016) The policy under para. 1 is adopted and amended by senior management.

Art. 119. (1) The management company maintains the necessary electronic systems allowing the timely and correct registration and documenting of each transaction with assets from each collective investment scheme's portfolio, and also of orders for subscribing or redemption of units in implementation of Art. 65 and 137.

(2) The management company ensures a high level of security during processing of electronic data, and also with regard to the integrity and confidentiality of registered information.

Section III

Internal Controls

Art. 120. (Supplemented – State Gazette, No. 55/2022, effective from 01.08.2022) (1) The management company, when performing internal distribution of functions, assigns to the senior management or to another person or body performing supervisory functions, the responsibility for compliance with its obligations under the requirements of CISOU CIA and regulations for its application.

(2) In performance of its supervisory functions, the senior management:

1. bears responsibility for implementation of the general investment policy for each managed collective investment scheme as provided for in the prospectus, statute, respectively rules of the collective investment scheme;
2. monitors the process of approval of the investment policy and strategy of each managed collective investment scheme;
3. bears responsibility for the creation and effective functioning of an internal regulatory compliance business unit under Art. 123;
4. periodically verifies the correct and effective compliance with the general investment policy and strategy, and limitations of risk for each managed collective investment scheme;
5. approves and reviews the adequacy of internal procedures for taking of investment decisions for each managed collective investment scheme, in order to guarantee that these decisions are in compliance with the investment strategy;
6. approves and periodically reviews the risk management policy, and also organisation, implementation, methods, and techniques for application of this policy, including the system

for limiting the risk of each managed collective investment scheme.

7. (New - State Gazette No. 55 / 2022, effective from 01.08.2022) is responsible for the inclusion of sustainability risks in the activities under items 1 - 6.

(3) Senior management, as well as other person or body performing supervisory functions at the management company, periodically, but no less than once a year, evaluate and review the effectiveness, organisation, and procedures for regulatory compliance. As a result of the performed review, the bodies under sentence one take suitable measures to resolve the weaknesses, if any are found.

Art. 121. (1) For the purpose of effective implementation of supervisory functions, senior management or the other person or body performing supervisory functions should receive regularly, at least once a year, written reports from internal business units for regulatory compliance, internal audit and risk management.

(2) The reports under para. 1 must include an evaluation of compliance with regulatory requirements and internal acts regulating the management company's activity, specifically indicating whether suitable corrective measures have been taken in the event of detected irregularities.

(3) For performance of supervisory functions under Art. 120, para. 2, senior management receives reports of implementation of the investment strategy and the internal procedures for taking of investment decisions by responsible persons within the management company.

Art. 122. The management company adopts, applies, and maintains adequate policies and procedures to detect every risk of non-compliance with its obligations under CISOUČIA and the regulations on its application, as well as the risk associated with this, and applies adequate measures and procedures intended to minimise this risk, taking into account the nature, scale, and complexity of its activity, as well as the nature and scope of the services provided by it.

Art. 123. (Amended and supplemented – State Gazette, No. 55 of 2022) (1) The management company establishes and maintains a permanent and operational internal regulatory compliance unit that functions separately and independently from other units and activities. The internal regulatory compliance unit reviews and evaluates the adequacy and effectiveness of the measures, policies and procedures adopted by the management company under Art. 122, as well as the actions taken to eliminate all deficiencies in compliance with obligations by the management company. The internal regulatory compliance unit advises and assists the persons who work under a contract for the management company, responsible for the performance of services and activities for compliance with the obligations of the management company under the CISOUČIA and its implementation.

(2) In order to ensure the correct and independent performance of obligations under para. 1, the management company guarantees that the internal business unit for regulatory compliance has the necessary authorisations, means, competency, and access to the entire corresponding information.

(3) (Amended – State Gazette, No. 55/ 2022) The internal regulatory compliance business unit is managed by a supervisor. The business unit should prepare and present to senior management or the other person or body performing supervisory functions, up to the 10th day of the month following each six-month period, a report of the business unit's activity for the indicated period. The report under sentence one must indicate detected risks, omissions, and inconsistencies, if any, and the measures taken to resolve them.

(4) Persons working under a contract with the management company, participating in an internal regulatory compliance business unit, must not participate in implementation of the services and activities monitored by them.

(5) The manner of determining the remuneration of persons working under a contract for the management company, participating in the regulatory compliance business unit, must not compromise their objectiveness and must not give rise to a possibility for this.

(6) Regardless of the requirements of para. 3, the management company may not comply with the provisions of para. 4 and/or para. 5, if it can prove that taking into account the nature, scale, or complexity of the activity performed by it, and also the character and scope of investment services and activities, these requirements are not justified and the work of the internal regulatory compliance business unit continues to be effective.

(7) In the event that the management company applies the exception under para. 6, it should notify the Commission about this within a 3-day period.

(8) (new - State Gazette, issue 55 of 2022) When the management company provides the additional services under Art. 86, para. 2, items 2 - 4 CISOUČIA, the regulatory compliance unit also performs the functions of a compliance verification unit. The requirements of Art. 40 - 46 and 49 - 52 of Ordinance No. 38 apply to the activity of the unit.

Art. 124. (1) The management company, where applicable and taking into account the nature, scale, and complexity of its activity, and also the type and scope of performed activity for management of the collective portfolio, creates and maintains an internal audit business unit, which functions separately and independently of other business units and activities.

(2) The internal audit business unit is responsible for:

1. adopting, application and updating of a plan for audit verifications in order to verify the adequacy and effectiveness of the management company's systems, mechanisms for internal control, and all other agreements and policies;
2. making recommendations based on the results of activity under item 1;
3. verification of compliance with recommendations under item 2;
4. reporting of matters associated with internal audit in accordance with the requirement of Art. 121.

Art. 125. (Amended – State Gazette, No. 63 /2016; amended and supplemented, No. 55 / 2022) (1) (Supplemented – State Gazette, No. 55 /2022) The management company adopts, implements and maintains adequate organization and measures in order to prevent any person working under a contract for it and engaged in activities that may give rise to a conflict of interest, or having access to inside information within the meaning of Art. 7, paragraph 1 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ, L 173/1 of 12 June 2014) (Regulation (EU) No 596/2014) or to other confidential information related to a collective investment scheme or to transactions of such a scheme, in accordance with the activity and functions performed by him on behalf of the management company, to carry out the following activities:

1. concluding a private transaction corresponding to at least one of the following criteria:
 - a) (amended – State Gazette, No. 55/2022) this person has no right to carry out such a personal transaction contrary to Regulation (EU) No. 596/2014;
 - b) the transaction is associated with abuse or unauthorized disclosure of confidential information;
 - c) the transaction contradicts or is likely to contradict an obligation of the management company under CISOUČIA or the Financial instrument markets act;
2. (amended – State Gazette, No. 63 /2016; amended No. 55 of 2022) advising or assisting, outside of the normal performance of its official or contractual duties, another person to carry out a transaction with financial instruments, which, if it were a personal transaction of a person working under a contract for the management company, would fall under in the hypotheses under item 1 or under Art. 37, paragraph 2, letters "a" or "b" of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that

Directive (OJ, L 87/1 of 31 March 2017) (Delegated Regulation (EU) 2017/565), or otherwise would represent misuse of information related to outstanding orders;

3. (amended – State Gazette, No. 55/2022) disclosure, outside the normal for performance of his/her work-related or contractual obligations in compliance with Art. 10, para. 1 of Regulation (EU) NO. 596/2014 of any information or opinion, to another person, if a person working under a contract for the management company knows or is supposed to know that as a result of this disclosure, the person will take or is likely to take the following actions:

a) (amended – State Gazette, No. a) effect a transaction with financial instruments, which, had it been a private transaction of a person working under a contract for the management company, would fall under the hypotheses of para. 1, item 1, or under Art. 37, para. 2, item 1 and 2 of Ordinance No. 565, or would otherwise constitute abuse of information associated with orders which are not implemented;

b) give counsel or aid another person in effecting such a transaction.

(2) Organisation and measures under para. 1 must guarantee that:

1. every person working under a contract for the management company under para. 1 is familiar with the limitations for private transactions and measures established by the management company in connection with private transactions and disclosure of information in accordance with para. 1;

2. the management company is informed in a timely manner about each private transaction concluded by a person working under a contract for the management company, by notification about such transaction or through other procedures allowing it to detect such transactions;

3. (amended – State Gazette, No. 63 /2016) a journal is kept of private transactions, about which the management company is informed or which are detected by it, including every permission or prohibition in connection with such transaction.

(3) If the activity for sale and redemption of units of a collective investment scheme is performed by third persons, the management company must guarantee that the subject performing the activity maintains a register of private transactions effected by persons working under a contract for the management company, and will provide information in a timely manner to the management company when requested.

(4) Paragraphs 1, 2, and 3 do not apply to the following types of private transactions:

1. private transactions effected as a part of portfolio management, where in association with the transactions, there is no preliminary communication between the portfolio manager and a person working under a contract for the management company or another person, at the expense of whom the transaction is effected;

2. private transactions with collective investment schemes or units of collective investment undertakings, which are subject to supervision under current legislation in the country, requiring an equivalent level of distribution of risk among its assets, when a person working under a contract for the management company, and the other person, at the expense of whom the transactions are performed, do not participate in the management of this undertaking.

(5) (Amended – State Gazette, No. 55/2022) For the purposes of para. 1-4 of the present article, a "private transaction" has the meaning of the term under Art. 28 of Delegated regulation (EU) 2017/565.

Section IV Conflict of Interest

Art. 126. (Supplemented – State Gazette, No. 55/2022, effective from 01.08.2022) (1) In order to determine the types of conflict of interests arising in the course of providing services and activities, and the existence of which may harm the interests of the collective investment scheme it manages, the management company monitors using a pre-defined minimum of criteria whether it or a person working under a contract for it, or a person directly or indirectly related through exercising control over the management company, falls

within one of the following situations, regardless whether as a result of providing services under collective portfolio management, or otherwise:

1. the management company or any of the persons mentioned in para. 1 may affect profit or avoid losses at the expense of a collective investment scheme managed by the company;
2. the management company or any of the persons mentioned in para. 1 has an interest in the result of the service or activity provided to the collective investment scheme or to another client, or of the transaction effected on behalf of the collective investment scheme or of another client, which is different from the corresponding scheme's interest;
3. the management company or any of the persons mentioned in para. 1 have a financial or another incentive to prefer the interest of another client or group of clients to the interests of a collective investment scheme managed by the company;
4. the management company or any of the persons mentioned in para. 1 perform the same activities for a collective investment scheme and for another client or clients, who are not a collective investment scheme;
5. the management company or any of the persons indicated in para. 1 receives or will receive from a person other than the collective investment scheme managed by the company, a benefit associated with the activity provided to the collective investment scheme for collective portfolio management in the form of money, goods, or services, other than the standard Commission or fee for such service.

(2) When determining the types of conflicts of interest, the management company takes into account:

1. the interests of the management company itself, including those arising from its association with a group or from implementation of services and activities, the clients' interests and the management company's obligation to the collective investment schemes it manages;
2. the interests of collective investment schemes managed by the company, where there is more than one.

(3) (new - State Gazette, issue 55 /2022, effective from 01.08.2022) The management company is obliged, when establishing the types of conflicts of interest, the presence of which could harm the interests of a given collective investment scheme, to identify these conflicts of interest among them, which could arise as a result of incorporating sustainability risks into its processes, systems and internal controls.

Art. 127. (1) The management company adopts in writing, applies, and maintains an effective policy for avoiding of conflicts of interest, corresponding to the size and organisation structure of the company, and also the nature, scale, and complexity of its activity.

(2) In the event that the management company is a member of a group, the policy under para. 1 must also take into account all circumstances the company is or should be familiar with, which may cause a conflict of interests, arising from the structure and business activity of the other members of the group.

(3) The policy for avoiding of conflicts of interest must include:

1. in connection with activities for collective portfolio management performed by the management company, determining the circumstances which constitute or may cause a conflict of interests leading to a significant risk of harm to the interests of the collective investment scheme managed by the company, or of one or more clients;
2. procedures which must be applied, and measures, which must be taken, in order to manage conflicts of interest under item 1.

Art. 128. (1) Procedures and measures under Art. 127, para. 3, item 2 must guarantee that the persons working under a contract for the management company, participating in various activities associated with a conflict of interests, are exercising these activities at a degree of independence corresponding to the scale and activity of the management company and the group it belongs to, and also to the significance of risk of harm to clients' interests.

(2) Procedures and measures under Art. 127, para. 3, item 2, where it is necessary and suitable for the management company, in order to guarantee the corresponding degree of independence, also include the following:

1. effective procedures for prevention or control of the exchange of information between persons working under a contract for the management company, participating in activities for collective portfolio management, associated with the risk of conflict of interests, where such exchange of information might harm the interests of one or more clients;
2. separate supervision of the persons working under a contract for the management company, whose functions are associated with performing activities for collective portfolio management on behalf of clients or for providing of services to clients or investors, whose interests might be in conflict, or who otherwise represent different interests, which might be in conflict, including with the interests of the management company;
3. removing any direct link between the remuneration of persons working under a contract for the management company, participating in performing a given activity, and remuneration of other persons working under a contract with the management company participating in performing another activity, or the income created by them, where a conflict of interests might arise related to these activities;
4. measures to avoid or limit any person to exercise undue influence on the way, in which a person working under a contract for the management company performs collective portfolio management activities;
5. measures for prevention and control of simultaneous or consecutive participation of a person working under a contract for the management company in separate activities for the management of the collective portfolio, where such participation might hinder the management of conflicts of interest.

(3) If adoption or the action of one or more of the measures and procedures under para. 2 does not ensure the necessary degree of independence, the management company undertakes alternative or additional measures and procedures, necessary and suitable to ensure the corresponding degree of independence.

Art. 129. (1) The management company maintains and regularly updates a register of the types of activities for collective portfolio management performed by it or on behalf of it, where:

1. a conflict of interests has occurred, giving rise to a significant risk of damaging the interests of one or more collective investment schemes managed by the company, or other clients, or,
2. in the event that the activity for collective portfolio management is performed, a conflict of interests might arise, causing a significant risk of damaging the interests of one or more collective investment schemes managed by the company, or other clients.

(2) In the cases where the organisation or administrative structure established by the management company with regard to the management of conflicts of interest cannot to a sufficient and reasonable degree ensure prevention of risks of harming the interests of a collective investment scheme managed by the company, or of the unitholders of this scheme, the senior management or another competent internal body of the management company must be informed in a timely manner, in order to take the necessary decision, guaranteeing that in all cases the management company is acting in the best interest of the collective investment scheme and of its unitholders.

(3) In cases under para. 2, the management company informs investors in a suitable manner, whereas the information is provided on a durable medium, and justifies its decision.

Art. 130. (1) The management company must develop suitable and effective strategies to determine the time and manner, in which the right to vote arising from the financial instruments in the managed portfolios will be exercised in the exclusive interest of the corresponding collective investment scheme.

(2) Strategies under para. 1 include measures and procedures for:

1. monitoring of the corresponding corporate events;
2. guaranteeing that exercising of the right to vote is in compliance with the investment aims and policy of the corresponding collective investment scheme;
3. preventing or management of any conflicts of interests arising from exercising of the right to vote.

(3) The management company provides a summarised description of strategies under para. 1 to the investors.

(4) Information on details with regard to the actions taken in relation to these strategies is provided to unitholders free of charge by their request.

Section V

Rules for operations

Art. 131. (1) The management company treats fairly the unitholders of collective investment schemes managed by it.

(2) The management company must not place the interests of any group of unitholders above the interests of another group of unitholders.

(3) The management company applies suitable policies and procedures aiming to prevent abuse, which can reasonably be expected to affect market stability and integrity.

(4) The management company uses fair, correct, and transparent price models and systems for evaluation of collective investment schemes managed by it in compliance with applicable law, so as to perform its obligation to act in the unitholders' best interest. The company must be able to prove that portfolios of collective investment schemes are evaluated correctly.

(5) The management company performs its activity in a way, which will prevent accrual of excessive expenses for the collective investment scheme and its unitholders.

Art. 132. (Supplemented – State Gazette, No. 63 /2016; amended and supplemented, No. 55 /2022; amended No. 38/ 2023) (1) The management company acts with due diligence in the selection and ongoing monitoring of investments, which must always be in the best interest of the collective investment scheme and its unitholders.

(2) (Supplemented – State Gazette, No. 63 /2016; supplemented No. (2) (Supplemented – State Gazette, issue 55 of 2022) The management company ensures performance of its activity with the necessary knowledge and understanding regarding the assets the collective investment schemes managed by the company invest in. For this purpose, the management company appoints an investment consultant who is contractually employed and is listed in the register under Art. 30, para. 1, item 8 of the FSCA.

(3) The management company adopts written policies and procedures for due diligence and has an effective organisation guaranteeing that the investment decisions taken on behalf of the collective investment schemes it manages correspond to the aims, investment strategy, and risk limitations of these collective investment schemes.

(4) In implementation of its risk management policy and where this is suitable with regard to the nature of the expected investment, the management company must prepare estimates and perform analyses of the investment's contribution to the structure, liquidity, risk profile and return of the collective investment scheme's portfolio, before it makes the corresponding investment.

(5) Analyses under para. 4 must be made only based on reliable and current information with respect to quantity and quality.

(6) (new - State Gazette, issue 55 /2022, effective from 01.08.2022; amended State Gazette. No. 38 / 2023) The management company takes into account sustainability risks when fulfilling the requirements under para. 1 - 5, as well as when concluding, managing or terminating contracts with third parties regarding the performance of risk management activities, including when they take the necessary steps to verify the skill and capacity of the third party to perform in a reliable, professional and effective manner the risk management activities and when they adopt methods for ongoing assessment of performance standards

by the third party.

(7) (new - State Gazette, issue 55 /2022, effective from 01.08.2022; amended State Gazette. No. 38 of 2023) When the management company considers the main negative impacts of its investment decisions on sustainability factors, as specified in Art. 4, paragraph 1, letter "a" 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 sector (OJ, L 317/1 of 9 December 2019) (Regulation (EU) 2019/2088), or in fulfillment of the requirements under Article 4, paragraphs 3 or 4 of the same regulation, it takes into account these main adverse impacts when fulfilling the requirements under Paragraph 1 - 5, including when concluding, managing or terminating contracts under paragraph 6.

Section VI

Best performance

Art. 133. (1) The management company acts in the best interest of the collective investment scheme managed by it when implementing decisions for transactions on behalf of the corresponding scheme while managing its portfolio.

The management company, in performing the obligation under para. 1, takes all reasonable actions to achieve the best possible result for the collective investment scheme, taking into account the price, expenses, term, likelihood of implementation and settlement, the volume and type of the order, or any other circumstance associated with implementation of the order. In order to determine the corresponding value of these factors, the following criteria are applied:

1. the aims, investment policy and specific risks for the collective investment scheme, as indicated in the prospectus, the fund rules, or in the investment company's statute;
2. characteristics of the order;
3. characteristics of the financial instruments subject to the order;
4. characteristics of the places of implementation, to which the order may be submitted.

(3) The management company adopts and applies effective policies and rules for performing the obligation under para. 2, and also adopts and applies a policy allowing it to achieve the best result for the collective investment scheme in accordance with para. 2.

(4) The management company must acquire the investment company's prior consent regarding the policy for implementation of orders applied to it.

(5) The management company:

1. provides unitholders with suitable information regarding the policy established in accordance with the present article, and also regarding any significant changes to this policy;
2. regularly monitors the effectiveness of its organisation measures and policy with regard to implementation of orders, to detect and, where necessary, resolve any defects;
3. reviews the policies for implementation of orders annually, and also in the event of significant change affecting the management company's ability to continue achieving the best possible result for the managed collective investment schemes;
4. must be capable of proving that it is performing the orders on behalf of the collective investment schemes it manages in accordance with its policy for implementation of orders.

Art. 134. (1) The management company acts in the best interest of the collective investment schemes managed by it in appointing other persons to perform the orders on behalf of these schemes when managing their portfolios.

(2) The management company, in performing the obligation under para. 1, takes all reasonable actions to achieve the best possible result for the respective collective investment scheme, taking into account the price, expenses, term, likelihood of implementation and settlement, the volume and nature of the order, or any other circumstance associated with implementation of the order. In order to determine the corresponding value of these factors, the following criteria are applied: In order to determine the corresponding value of these factors, the criteria under Art. 133, para. 2 are

applied:

(3) To fulfill the obligation under para. 1 the management company adopts and implements an assignment policy. The policy specifies the entities to which the contract may be awarded in respect of each class of financial instruments. The (4) management company concludes a contract for the execution of an order only if this contract does not violate its obligations under this article.

The management company provides unitholders with suitable information regarding the established policy, and also regarding any significant changes to this policy;

(5) The management company regularly monitors the effectiveness of the adopted policy and more specifically the quality of implementation by the subjects determined in this policy, and, where necessary, rectifies any detected defects.

(6) The management company reviews the policy annually, and also in the event of significant change affecting the management company's ability to continue achieving the best possible result for the collective investment schemes it manages;

(7) The management company must be capable of proving that it assigns orders on behalf of the collective investment schemes it manages in accordance with the policy under para. 3.

Section VII

Effecting transactions with the collective investment scheme's assets and requirements for their registration and storing of information on them

Art. 135. (1) The management company adopts and applies procedures and measures ensuring the due, correct, and fast effecting of orders with assets in the portfolios of collective investment schemes it manages.

(2) Procedures and measures under para. 1 must meet the following requirements:

1. guarantee that orders effected on behalf of the collective investment schemes are duly and correctly registered and distributed;

2. perform consistently and duly comparable orders of the collective investment schemes, unless this is difficult to achieve due to the order's features or the existing market conditions, or if the corresponding scheme's interests require otherwise.

(3) The financial instruments or monetary funds received in settlement of effected orders are transferred immediately and accurately to the corresponding collective investment scheme's account.

(4) The management company may not abuse the information associated with pending (not completed) orders of the collective investment scheme, and takes all reasonable steps to prevent abuse of such information by the persons working under a contract with it.

Art. 136. (Amended – State Gazette, No. 55 / 2022) (1) (Amended – State Gazette, No. 55 /2022) The management company may not effect an order of one collective investment scheme by aggregating it with an order of another scheme it manages, or of another client, or with an order at its own expense, unless the following conditions are met:

1. there is a low likelihood for the aggregation of orders to harm the interests of any collective investment scheme or clients whose orders will be aggregated;

2. the management company has adopted and is effectively applying a policy for aggregation and allocation of orders containing sufficient specific rules on the fair allocation of aggregated orders, including on the way the volume and price of orders determine allocation and processing in the cases of partial implementation.

(2) Where the management company aggregates an order from a given collective investment scheme with one or more orders of another scheme or clients and the aggregated order is implemented partially, the management company allocates the corresponding transactions in accordance with its policy for allocation of orders.

(3) Where the management company aggregates orders of a given collective investment scheme or other clients with transactions made at its own expense, the company allocates the corresponding transactions in a way so that it does not harm the collective investment

scheme or other clients.

(4) Where the management company aggregates an order of a specific collective investment scheme or another client with a transaction made at its own expense, and the aggregated order is implemented partially, the management company allocates the corresponding transactions of the collective investment scheme or of the other client as a higher priority, before allocating the transactions at its own expense.

(5) If the management company is able to reasonably justify before the collective investment scheme or other of its clients, that without aggregating the orders, the company would not be able to effect them at the same profitable terms or effect them at all, it may allocate proportionally the transaction made at its own expense in accordance with the policy under para. 1, item 2.

Art. 137. (Amended – State Gazette, No. 55/ 2022) (1) The management company guarantees that for each transaction associated with a collective investment scheme's portfolio, information needed to reproduce the details regarding the order and the performed transaction is immediately recorded.

(2) The record under para. 1 includes:

1. the name or other indication of the collective investment scheme and the person acting on its behalf;
2. detailed information necessary for identifying the instrument in question;
3. quantity;
4. type of order or transaction;
5. price;
6. for orders – date and exact time of submitting of the order, as well as the name or other indication of the person the order is submitted to, or for transactions – the date and exact time of the decision to trade and perform the transaction;
7. the name of the person submitting the order or effecting the transaction;
8. the reasons for cancelling the order, where applicable;
9. for concluded transactions - counterparty and identification of the place of implementation.

(3) (Amended – State Gazette, No. 55/2022) Place of implementation under para. 2, item 9 is a "regulated market" within the meaning of Art. 152, para. 1 of the MFIA, "multilateral trading system" within the meaning of § 1, item 18 "a" of the supplementary provisions of the MFIA, an "organized trading system" within the meaning of § 1, item 18 "b" of the supplementary provisions of the MFIA, "systematic participant" within the meaning of § 1, item 16 of SP of the MFIA or a market maker or another person providing liquidity, or a subject performing in a third country a function similar to the functions performed by any of the subjects above.

(4) Storage of information on records under para. 1 is done in the manner of Art. 68.

Section VIII

Fees, commissions, and other non-monetary benefits

Art. 138. (1) The management company acts honestly, fairly, and professionally in accordance with the best interest of the collective investment scheme, and must not, with regard to the activities for management and administration of the corresponding scheme's investments, pay or receive any fee or Commission, or provide, or receive non-monetary benefits, unless they are:

1. a fee, Commission, or non-monetary benefit paid by or to the collective investment scheme, or to a person on the scheme's behalf, or received from him/her;
2. a fee, Commission, or non-monetary benefit paid by or to a third party, or received from it, or a person acting on behalf of a third party, where the following conditions are met:
 - a) the existence, nature, and amount of the fee, Commission, or benefit, or where the amount cannot be determined, the method of calculation of the sum, must be clearly announced to the collective investment scheme in a comprehensive, exact, and

understandable way before providing the corresponding service;

b) payment of a fee or Commission or providing of non-monetary benefits must aim to improve the quality of the corresponding service and not to hinder performing of the management company's obligation to act in the collective investment scheme's best interest;

3. specific fees permitted or needed for the provision of the corresponding service, including trustee fees, fees for settlement or currency exchange, regulatory fees, taxes or legal fees, and which by their nature cannot lead to conflicts of interests with the management company's obligations to act honestly, fairly, and professionally in the collective investment scheme's best interest.

(2) The management company may, for the purposes of para. 1, item 2, item "b", announce in a summarised form the main conditions of agreements regarding fees, commissions, or non-monetary benefits. By a unitholder's request, the management company undertakes to disclose additional details regarding the agreements.

Art. 138a. (New - State Gazette No. 55 of 2022) When a management company that manages a collective investment scheme provides for performance fees, the management company complies with the requirements of Art. 138b - 138d.

Art. 138b. (New - State Gazette No. 55 of 2022) (1) The method for calculating performance fees must be verifiable, not subject to manipulation and include at least the following elements:

1. a benchmark indicator that serves as a basis for measuring and comparing the results achieved by the collective investment scheme, and this benchmark indicator can be an index, a model of the highest net asset value, the lowest rate of return or a combination of them;
2. the period for which the performance fee is charged and the date on which it is paid to the management company, which coincides with the end of the period for which the fee is calculated and cannot be more than once a year;
3. a reference period in which performance is measured and at the end of which the compensation mechanism for performance that is negative or below expectations can be reset;
4. the amount of the performance fee;
5. methodology for calculating performance fees for results achieved based on the above input data and other relevant input data;
6. calculation frequency, which should coincide with that of the calculated net asset value.

(2) The method used to calculate the performance fee should ensure that the performance fees are always proportional to the actual performance of the investments of the collective investment scheme. Artificial increases or decreases due to new contributions or redemptions in the collective investment scheme are not taken into account when calculating the performance.

(3) At any moment, the management company must be able to explain how the performance fee model represents a reasonable incentive for better management of the collective investment scheme and how its use is consistent with the investors' interests.

(4) When determining the performance fees and their final payments, a symmetrical approach of distribution and elimination of their payment is observed for positive and, respectively, negative results.

(5) Performance fees may be calculated on a per investor basis.

Art. 138c. (New - State Gazette No. 55 of 2022) (1) The management company is obliged to create an evaluation and control mechanism, through which it periodically monitors whether the performance fee model is in compliance with the investment goals, strategy and policy of the collective investment scheme.

(2) In the creation and implementation of the evaluation and control mechanism under para. 1 the management company observes compliance with the following requirements, consistent with the calculation methodology and parameters of the performance fee:

1. whether the chosen performance fee model is suitable for the collective investment scheme in accordance with the adopted investment policy, strategy and goal;
2. whether the benchmark is appropriate, for the collective investment schemes where the performance fee is calculated on the basis of a benchmark, in view of the investment policy and strategy of the collective investment scheme and whether it adequately represents the risk-return profile of the collective investment scheme, and the assessment of this includes any change or discrepancy between the investment goals of the collective investment scheme and the selected benchmark, as well as the compliance indicator under para. 6.
- (3) In the event that a collective investment scheme is managed in accordance with an index, the performance fee is determined in accordance with this index, and determining the performance of the collective investment scheme may include together or separately the following:
 1. comparison of achieved results with the index;
 2. tracking the deviation in the portfolio structure of the fund and the index.
- (4) In the cases under para. 3 the benchmark used to structure the portfolio of the collective investment scheme should be the same as the benchmark used to calculate the performance fee.
- (5) In the event that the collective investment scheme is managed on the basis of an index, but the structure of the portfolio differs from the distribution of equity participations in the benchmark index, the indicator used for structuring the portfolio should correspond to the benchmark indicator used for calculation of the performance fee. The conformity assessment is based on a comparison with indices that have a similar risk-return profile or fall into the same group in terms of the synthetic indicator of risk and return.
- (6) In connection with the conformity assessment under para. 5 depending on the types of assets that were used to structure the portfolio of the collective investment scheme, the management company complies with at least the following compliance indicators:
 1. expected return;
 2. set of investments;
 3. beta-exposure to a certain class of underlying assets;
 4. geographical exposure;
 5. sector exposure;
 6. allocation of the Fund's income;
 7. liquidity measures;
 8. duration;
 9. credit rating category;
 10. volatility and/or historical volatility.
- (7) When a target return of the collective investment scheme, determined as a premium over the value of a specific benchmark, is used to determine the performance fee, a benchmark with which a systematically lower threshold is determined and deviated from is not used in the calculation of the fee from the previously set goal.
- (8) When a base fee model is used for the calculation of the performance fee, the determination of the fee is based on the same benchmark used to determine the achieved results exceeding the set goal.
- (9) In all cases, the result of the collective investment scheme, exceeding the previously set goal, is calculated after deducting all costs, but without deducting the performance fee, if this is in the best interest of the investor.
- (10) If there have been changes in the benchmark during the reference period, the values of the benchmark for that period are calculated by connecting the base index that was in force before the date of the change and the new benchmark used subsequently.
- (11) The performance fee promotes reasonable and effective risk management and does not encourage risk-taking inconsistent with the risk profiles, rules or founding documents of the managed collective investment schemes, as well as does not affect the performance of the

management company's obligation to act in the best - good interest of the collective investment scheme.

Art. 138d. (New - State Gazette No. 55 of 2022) (1) The frequency with which the accumulated performance fee, if any, becomes payable to the management company shall not be greater than once a year.

(2) Paragraph 1 does not apply in the following cases:

1. when the collective investment scheme uses a model of the highest net asset value or a model of the best achievements, when the reference period of achieving results is equal to the entire period of existence of the collective investment scheme and cannot be canceled;

2. in relation to the "base fee" model and other models that provide for a symmetrical fee structure (where performance fees decrease or increase based on the fund's performance).

(3) In the event of termination or merger of collective investment schemes and/or in the case of redemption by investors, performance fees, if any, become payable to the management company in the relevant proportions as of the date of termination, conversion and/or redemption by investors.

(4) The date on which the accrued performance fee becomes payable to the management company is the same for all classes of shares in a given fund for which a performance fee is provided. The date in the first sentence is December 31, unless otherwise provided in the rules of the fund.

Art. 138e. (New - State Gazette No. 55 of 2022) (1) The performance fee is subject to payment only in cases where, during the reference period, the collective investment scheme has realized absolute or relative positive results. Any failure to meet the target or loss that occurred during the reference period shall be recovered before the performance fee is payable. In order to avoid divergence between the interests of the management company and the investors, upon explicit and clear notification to the investor, a performance fee may also be payable in periods of absolute negative returns, when the result of the collective investment scheme during the reference period is exceeded that of the benchmark used.

(2) The performance fee model should be designed to ensure that the management company has no incentives to take excessive risks in order to increase its own remuneration and that cumulative gains are adequately offset by cumulative losses.

(3) The results of the management company's activity should be evaluated and rewarded for a period that corresponds, as far as possible, to the recommended investment holding period.

(4) In the event that the collective investment scheme uses a performance fee model based on a benchmark, the management company shall ensure that any unsatisfactory performance of the collective investment scheme compared to the benchmark is recovered before any and all performance fee becomes due. For this purpose, if the duration of the reference performance period is shorter than the entire period of existence of the collective investment scheme, it should be set at least 5 years.

(5) When the collective investment scheme uses a model of the highest net asset value, the performance fee is payable only when, during the reference period, the new highest net value exceeds the previous one, and the initial "sell" price should be used in the calculation " per unit/share. When using the highest net asset value model, if the reference period for which the fee is determined is shorter than the entire life cycle of the collective investment scheme, the reference period should be at least five years in length, with the achievement fee can only be claimed if the sum of the better results achieved exceeds the unsatisfactory results in the previous five years, and the fee is payable no more often than once a year.

(6) The reference period of achieving results does not apply to the base fee model and other models that provide for a symmetrical structure of fees, where the level of the performance fee increases or decreases in proportion to the investment results of the collective investment scheme.

Section IX

Requirements to the management company when providing additional services under Art. 86, para. 2, item 2-4 of CISOUCA (Title amended – State Gazette, No. 63 /2016)

Art. 139. (Amended and supplemented – State Gazette, No. 63 /2016; amended No. 55 /2022) (1) (Revoked – State Gazette, No. 55 /2022)

(2) (Supplemented – State Gazette, No. 63 /2016; revoked No. 55 /2022)

(3) (Amended – State Gazette, No. 63 /2016) When providing services other than those under Art. 86, para. 2, item 3 of CISOUCA to a new non-professional client, the management company provides to it, on paper or on another durable medium, information on the client's and the management company's main rights and obligations, including by providing the general terms applied by the company.

(4) The content of the general terms is determined depending on the services and activities offered by the management company, whereas they may contain the information the management company must provide to its clients under the requirements of the present ordinance.

(5) (Supplemented – State Gazette, No. 63 /2016) The management company includes in its general terms or in the contract with the client, where general terms are not attached, information on the manners for reasonable and fair settlement of disputes and the ways to settle the relationship with the client after terminating the contractual relationship.

(6) (Revoked – State Gazette, No. 55 /2022)

(7) (Revoked – State Gazette, No. 55 /2022)

(8) (Revoked – State Gazette, No. 55 /2022)

(9) (new - State Gazette, issue 63 /2016; revoked No. 55 /2022)

Art. 140. (repealed– State Gazette, No. 55 /2022)

Art. 141. (repealed– State Gazette, No. 55 /2022)

Art. 142. (repealed– State Gazette, No. 55 /2022)

Art. 143. (Amended and supplemented – State Gazette, No. 63 /2016; revoked No. 55 /2022)

Art. 144. (Amended– State Gazette, No. 63 /2016; revoked No. 55 /2022)

Art. 145. (repealed– State Gazette, No. 55 /2022)

Art. 146. (Supplemented – State Gazette, No. 63 /2016; revoked No. 55 /2022)

Art. 147. (Supplemented – State Gazette, No. 63 /2016; revoked No. 55 /2022)

Art. 148. (Supplemented – State Gazette, No. 63 /2016; revoked No. 55 /2022)

Art. 149. (repealed– State Gazette, No. 55 /2022)

Art. 150. (repealed– State Gazette, No. 55 /2022)

Section X

Capital adequacy and liquidity of the management company

Art. 151. (Amended – State Gazette, No. 52 /2015; amended No. 63 /2016; amended completely, No. 55 of 2022) (1) A management company that wants to obtain a permit under Art. 26, paragraph 2 of Regulation (EU) No. 575/2013 for the inclusion of the interim or annual profit in the common equity tier 1, submits an application to the Commission, to which he attaches:

1. a document certified by the auditor chosen by the management company to certify the annual financial statement, confirming the profit, such as:

(a) in respect of the annual profit, an auditor's report or certification letter is submitted stating that the audit has not been completed and that the auditor has not found anything to give them reason to believe that the final report will contain a modified opinion;

b) in respect of the interim profit, an auditor's report (in the event of an audit) or a review report within the meaning of IAS 2400 "Engagements to review financial statements" is submitted, or a certification letter in accordance with the conditions of letter "a", if the confirmation submitted by the management company, is an auditor's report;

2. a declaration, signed by the persons who manage and represent the management company, that the profit has been recorded according to the principles provided for in the applicable accounting program;
3. a declaration signed by the persons who manage and represent the management company, which indicates the main elements of the interim or annual profit, including the deductions for expected deductions from the profit according to Art. 2 and 3 of Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions (OJ, L 74/8 of March 14, 2014) (Delegated Regulation No. 241/2014) or dividends according to Annex No. 5;
4. a certified copy of the decision/proposal of the competent authority of the management company to include the interim or annual profit in the common equity tier 1;
5. a document certifying the payment of the due fee for issuing the requested permit, if it was not paid electronically.

(2) The amount of dividends to be deducted is based on an official decision/proposal of the competent authority of the management company, and in cases where there is no such decision/proposal, on the highest value between:

1. the maximum amount of dividends, calculated in accordance with the dividend policy;
2. the amount of dividends, calculated on the basis of the average payout ratio in the last three years;
3. the amount of dividends calculated on the basis of the payout ratio for the previous year.

(3) On the basis of the submitted documents, the Commission establishes the extent to which the conditions under Regulation (EU) No. 575/2013, Delegated Regulation (EU) No. 241/2014 and this Ordinance for issuing the requested permit have been met. If the submitted documents are incomplete or additional information is needed, the Commission sends a message and sets a deadline for removing the identified deficiencies and inconsistencies or for providing additional information and documents.

(4) The Commission, on the proposal of the Deputy Chairperson, issues or refuses to issue a permit under para. 1 within 14 days of receiving the application with the documents attached to it, and if additional information and documents are requested - from their receipt.

(5) The Commission refuses to issue a permit for the inclusion of the interim or annual profit in the common equity tier 1, when the conditions for its inclusion under Regulation (EU) No. 575/2013, Delegated Regulation (EU) No. 241/2014 are not met and this ordinance, as well as when the due fee for issuing the requested permit has not been paid. The refusal shall be justified in writing.

(6) Applicants are notified in writing of the decision within three days.

Art. 152. (repealed – State Gazette, No. 55 /2022)

Art. 153. (1) The management company maintains at all times minimum liquid funds, including monetary fund's in cash, in term and sight deposits in a bank, which is not undergoing an insolvency procedure, state securities, and mortgage and municipal bonds having a market price, with an amount no less than that of its present obligations with a maturity date up to 3 months.

(2) At least 90 per cent of the monetary fund's under para. 1 must be in term and sight deposits in a bank.

Art. 154. The management company prepares a quarterly report of its capital adequacy and liquidity according to a standard form approved by the Deputy Chairperson.

Section XI

Disclosure of information

Art. 155. (Amended – State Gazette, No. 63 /2016; amended and supplemented, No. 55/2022. (1) The management company informs the Commission about:

1. entering the company in the commercial register;

2. change in the name, seat, management and correspondence address, UIC or the tax number;
3. opening or closing a branch or an office;
4. (Supplemented – State Gazette, No. 55 /2022) change in the composition of the management and/or supervisory body, as well as a person entrusted with the management of the company;
5. change in the manner of representation;
6. amendment and/or supplementing of the statute and internal rules;
7. change in the circumstances reflected in other documents serving as grounds for the issuing of a license to pursue activity as a management company;
8. arising or change in a circumstance, as a result of which the regulatory requirements to members of the management and/or control body, to other persons assigned with management of the company, to the chief of the regulatory compliance business unit and the investment consultant, are no longer met;
- 9 (amended – State Gazette, No. 55 /2022) concluding or terminating a contract with an investment consultant, with the head of the regulatory compliance unit or the internal audit unit;
10. (amended – State Gazette, No. 63 /2016; amended No. 55/2022) termination a contract for assigning of functions and actions under Art. 86, para. 1 and para. 2, item 1 and 4 of CISOU CIA to a third person;
11. application of forced administrative measures, administrative penalties, and other sanctions for serious violations by other state authorities or by the Central depository to the management company and to members of the management and/or control body and persons working under a contract for the management company;
12. started legal and arbitration procedures the company is a party to, if such have had or may have a significant effect on its activity;
13. starting an insolvency procedure;
14. making a decision to transform;
15. making a decision to terminate;
16. opening a liquidation procedure;
17. change in the general terms applicable to management contracts;
18. arising of other circumstances subject to recording in the Commission's register under a separate ordinance, respectively changes to these circumstances.

(2) (Amended – State Gazette, No. 63 /2016; amended No. 55 / 2022) The obligation under para. 1 must be fulfilled within 7 days from the decision being made or from the occurrence of the circumstance or change, respectively from learning of the occurrence or change in the circumstance, and when the circumstance is subject to entry or announcement in the commercial register - within 7 days from the entry, respectively the announcement, and the relevant documents under para. 1, certifying the relevant circumstances under items 6 - 10 and 14 - 17.

Art. 156. (Amended and supplemented – State Gazette, No. 63 /2016; amended No. 55 / 2022) (1) (Supplemented – State Gazette, No. 63 /2016; amended No. 55 of 2022) The management company submits to the Commission the reports under Art. 92, para. 2 CISOU CIA in the form of statements according to the template determined by the Deputy Chairperson.

(2) (Amended – State Gazette, No. 63 /2016; amended No. 55 of 2022) The management company is obliged to submit to the Commission an annual financial statement, prepared in accordance with the IAS, certified by a registered auditor or by a specialized auditing company, together with the auditor's report, as well as the report under Art. 39 of the Accountancy Act.

(3) With the annual financial statement, the management company shall present also reports according to a standard form determined by the Deputy Chairperson, as well as

information on the amount of remuneration of members of its management and control bodies, information on received remuneration from the management company individually for each of the collective investment schemes and other portfolios managed by them.

(4) (Amended – State Gazette, No. 55/2022) The management company shall present to the Commission information under the present section in the manner of Art. 25 of Ordinance No. 2.

Section XII

Conversion of management companies

Art. 157. (Supplemented – State Gazette, No. 55/ 2022. (1) The management company may be converted by merger, takeover, split or spinoff provided that after conversion each of the receiving or new management companies is in compliance with the requirements of CISOU CIA.

(2) For issuing of a permit for conversion under para. 1, a request must be submitted to the Commission, to which the following data and documents are attached:

1. certified transcripts of the decision of the competent body of converting companies according to statute acts, respectively of the converting company, for effecting the conversion, approval of the contract or plan for conversion under item 3, as well as all necessary amendments and supplements to the statute acts in association with conversion.
2. a written report of the management bodies of the converting and receiving companies containing detailed legal and economic justification of the contract or plan for conversion and especially of the ratio of exchange, and in case of split and spinoff – of the criterion for allocation of shares, data on the assigned verifier under Art. 262l of the CA, and the authorised depositary under Art. 262x of CA, as well as difficulties in evaluation, if any;
3. a contract or plan for conversion in the form under Art. 262f of the CA and with the content under Art. 262g of the CA;
4. a financial statement and a report of capital adequacy and liquidity of the converting company as of the date of submission of the request; the Commission may require from the management company additional information and clarification on the reports, as well as presenting an additional financial statement and a report of capital adequacy as of the determined date, including a draft;
5. information on changes which have occurred in the property rights and obligations under Art. 262n, para. 4 of CA, if any;
6. the trustee's report under Art. 262m of the CA, respectively also under Art. 262u of the CA;
7. accounting balance and a report of capital adequacy as of the last day of the month before the date of the contract or the conversion plan;
8. drafts for a new statute of each of the newly founded companies, respectively for amendments and supplements to the statute of each of the converting and receiving companies.

(3) (new - State Gazette, issue 55 of 2022) In the event of a conversion involving a management company from another member state, the documents under para. 2 subject to compliance with the special requirements of Chapter Sixteen, Section V of the CA.

Art. 158. (Supplemented – State Gazette, No. 55/ 2022) (1) The Commission issues or refuses to issue a permit within one month of receiving the request, and where additional information and documents have been demanded – of their receiving.

(2) The Commission refuses to give approval if conversion is not in compliance with legal requirements, the requesting party has presented incorrect data or documents with incorrect content, or the interests of the management company's clients and of the unitholders of collective investment schemes managed by it are not secured.

(3) (Supplemented – State Gazette, No. 2022) The Commission, simultaneously with issuing of a permit for conversion, issues also a license to perform the requested activities and services under Art. 86, para. 1 and 2 of CISOU CIA to the newly founded or the host

company in the Republic of Bulgaria, if the license already issued to the host company is amended as a result of conversion.

(4) The Commission notifies the Registry Agency of the issued permit for conversion within a three-day period.

Chapter Seven

(repealed – State Gazette, No. 63 /2016)

REQUIREMENTS TO THE ACTIVITY OF A CLOSE-ENDED INVESTMENT COMPANY

(New - State Gazette No. 63 /2016)

NATIONAL INVESTMENT FUNDS

Section I (new - State Gazette No. 63 /2016)

Requirements to the organisation and activity of national investment funds

Art. 159. (Revoked and new - State Gazette, issue 63 /2016; amended and supplemented, No. 55/ 2022) (1) The relationship between the national investment company and the management company or an alternative investment fund manager is established in a contract with corresponding application of Art. 2.

(2) (Amended – State Gazette, No. 55 /2022) The contract with the depository where the assets of the national investment fund are held, has the following minimum content:

1. a description of the procedures, including those with regard to storage of assets, which must be adopted for each asset type of the collective investment scheme entrusted to the depository;
2. a description of the procedures which must be followed when an amendment of rules or the prospectus of the national investment fund is intended, and defining the cases where the depository should be informed, or where the depository's preliminary consent is needed in order to commence the amendment;
3. a description of the means and procedures through which the depository will hand over to the national investment fund manager each piece of essential information needed to perform his obligations, including a description of the means and procedures regarding the exercising of any rights arising from the financial instruments, and the means and procedures applied in order to allow the national investment fund manager and the fund to have at their disposal timely and suitable access to the information with regard to the national investment fund's accounts;
4. a description of the means and procedures through which the depository will have access to the entire important information needed by it to perform its obligations;
5. a description of the procedures through which the depository is able to send inquiries regarding the national investment fund manager activity and to evaluate the quality of submitted information, including by on-site visits;
6. a description of the procedures by which the national investment fund manager can review the activities of the depository in relation to its contractual obligations;
7. a list of the entire information, which must be exchanged between the national investment fund, its manager, and the depository, with regard to the sale, issuing, redemption, and invalidation of units of the national investment fund, including information with regard to trading an exchange-traded fund on a regulated market or a multilateral trading system;
8. the confidentiality obligations applicable to the parties to the agreement;
9. information on the tasks and responsibilities of the parties to the agreement with regard to obligations in the area of money laundering and terrorism financing prevention;
10. the obligation of the depository to report to the national investment fund for the assets entrusted to him and the operations carried out;
11. the responsibility that each of the parties assumes towards the holders of units/shares of the national investment fund for damages as a result of non-fulfillment of the obligations under the contract;
12. the procedure for the storage of assets in case of revocation of the license to operate, in

case of termination or declaration of bankruptcy of the national investment fund manager;
13. the conditions necessary to facilitate replacement of the depositary and the procedure, under which the entire essential information is forwarded to the new depositary, including the rules for protection of unitholders/shareholders during such replacement.

14. the term of validity of the contract and the conditions under which it can be amended or terminated;

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

(3) (new - State Gazette No. 55 of 2022) The provisions provided for in the contract under para. 2 rights and obligations should be formulated in such a way as not to hinder the access of the Commission, respectively the competent authorities of the Member State of origin of the national investment fund manager, to important documents and information.

Art. 160. (Revoked and new - State Gazette, issue 63 / 2016) (1) A closed-end national investment company must have subscribed capital of no less than BGN 250,000, where contributions to the company's capital may only be made in cash.

(2) No less than 25 per cent of the national investment company's capital under para. 1 must be deposited when submitting the request for issuing of a license to pursue activity as a national investment company, and the remaining part – within a 14-day period of receiving the written notification from the Commission that the license will be issued after depositing the full amount of capital.

(3) A closed end national investment company must at all times possess equity no less than the capital under para. 1.

(4) The company under para. 1 may issue preferred shares under the conditions of the Commercial act.

(5) The company under para. 1 maintains a structure of assets and liabilities allowing it at any moment to cover its obligations.

Art. 161. (Revoked and new - State Gazette, issue 63 /2016) (1) The management company, the alternative investment fund manager which manages a national investment fund, respectively a national investment company under Art. 172, para. 3 of CISOU CIA, establishes, applies, and maintains accounting policies and procedures, as well as rules for evaluation of assets and liabilities allowing at all times all assets and liabilities of the national investment fund to be identified and evaluated. The rules, policies, and procedures under sentence one must be in compliance with all applicable accounting standards and norms.

(2) Persons under para. 1 introduce, apply, and maintain policies and procedures for accounting and evaluation of their assets and liabilities, guaranteeing that information in the financial statements is correct, clear, and free of contradictions, and is in compliance with the applicable international accounting norms and standards. The requirements of Art. 23 apply to national investment funds.

(3) (The process of evaluation of assets and liabilities of a national investment fund shall be documented in a way, which allows to accurately determine the applied methods for evaluation, including of assets acquired by leverage.

Art. 162. (Revoked and new - State Gazette, issue 63 / 2016) (1) Calculation of the net asset value of a national investment fund is performed by the management company, by the alternative investment fund manager which manages a national investment fund, or by the depositary applying accordingly Art. 21, para. 2-7 of CISOU CIA.

(2) The depositary of an open-end national investment fund exercises control over the calculation of net asset value, where this calculation is not assigned to it, applying accordingly Art. 24, para. 2.

(3) Calculation of net asset value under para. 1 may also be performed by a third person accordingly in compliance with the provisions of Art. 106, para. 1-2, and 5-6, or Art. 222 of CISOU CIA.

(4) Persons under para. 1-3 must comply with the rules for portfolio evaluation and establishing the net asset value of the national investment fund.

Art. 163. (Revoked and new - State Gazette, issue 63 /2016) (1) The rules for evaluation of the portfolio and establishing the net asset value of the national investment fund include the policies and procedures for evaluation of the fund's net asset value, which must encompass all significant aspects of the process of evaluation and control with regard to this process. The rules under sentence one ensure performing a stable, transparent, understandable and accordingly documented evaluation process.

(2) The evaluation policies and procedures establish the methods of evaluation used for each asset type, in which the national investment fund may invest in accordance with the statute, respectively its rules. The national investment fund cannot invest in a specific type of asset for the first time, if it doesn't have a previously established method for evaluation of this asset type.

(3) The rules under para. 1 stipulate performing a periodic review of policies and procedures, including the evaluation methodologies. Review is performed at least once within one calendar year and before the national investment fund begins applying a new investment strategy or before it acquires a new asset type, which is not included in the current evaluation policy.

(4) The rules under para. 1 indicate the manner of performing a change of policies and procedures for evaluation and the cases where this is suitable. Suggestions for changes in policies and procedures are presented to the senior management, who review and approve each change.

(5) Provisions of Art. 25-33 and 35 apply respectively to changes in the procedure and manner of evaluation of a national investment fund's assets and liabilities.

Art. 164. (Revoked and new - State Gazette, issue 63 /2016; amended and supplemented, No. 55 / 2022) (1) (Supplemented – State Gazette, No. 55/ 2022) The open-ended national investment fund determines the issue value and redemption price for its units at least twice a month at regular time intervals. The information per sentence is first published in the manner specified in the prospectus within the period under Art. 64, para. 1 CISOUČIA.

(2) (Amended – State Gazette, No. 55/ 2022) The open-ended national investment fund submits to the Commission within three working days from the end of each month summary information on the determined issue value and redemption price of its units or shares for the previous month.

(3) (new - State Gazette, issue 55/2022) Para. 77 applies accordingly for obtaining the application under para. 1.

(4) (Previous para. 3 - State Gazette No. 55/2022) The open-ended national investment fund, the units of which are admitted to trading with corresponding application of chapter three "a" of CISOUČIA, complies with all provisions of CISOUČIA and the present ordinance applicable to the activity of exchange-traded funds.

Art. 165. (Revoked and new - State Gazette, issue 63 /2016) (1) A national investment fund invests in liquid financial instruments without limitation to their type and other liquid financial assets under Art. 186 of CISOUČIA, maintaining a structure of assets and liabilities, which allows it to meet its liabilities.

(2) An open-ended national investment fund must constantly have at its disposal short-term liquid assets for implementation of obligations for redemption of units/shares.

(3) An open-ended national investment fund adopts rules for maintaining and management of liquidity corresponding to the size, structure, and nature of the fund.

(4) The liquidity rules under para. 3 correspond to the fund's investment strategy, liquidity profile and share buyback policy. These should include the main requirements for liquidity, application of which is to correspond to the size of liquidity risk the corresponding national investment fund is exposed to, the scale and complexity of the process of liquidation or sale of assets, and obligations for redemption.

(5) Art. 11, para. 1, items 1, 2, and 5-7, and pars. 2, Art. 13, para. 1 apply to the requirements for liquidity of financial instruments open-ended national investment funds

invest in.

Art. 166. (Revoked and new - State Gazette, issue 63 /2016; amended and supplemented, No. 55 /2022; supplemented issue 38/ 2023) (1) The management company, the alternative investment fund manager which manages a national investment fund, respectively the national investment company under Art. 173, para. 3 of CISOU CIA, adopts and applies suitable internal rules for risk management with the aim of continuous monitoring and evaluation of the risk of each item in the fund's portfolio.

(2) Risk management rules include the necessary procedures allowing at any time an evaluation to be made of the national investment funds rate of exposure to market risk, liquidity risk, and counterparty risk, as well as all other risks, including operating risks, which may be significant for the national investment fund.

(3) Measures, processes, and techniques in the rules for risk management must be in accordance with the nature, scale, and complexity of the national investment fund's business activity, and corresponding to its risk profile.

(4) The national investment fund's risk management rules include at least the following elements:

a) techniques, instruments, and measures allowing the detection, measurement, management, and control at all times of risks its assets are or may be exposed to;

b) thresholds for each risk established in accordance with the national investment fund's nature, and justification of the manner, in which these correspond to the fund's risk profile and strategy;

c) techniques, instruments, and measures allowing evaluation and monitoring of liquidity risk for the open-ended national investment fund, in usual and extraordinary circumstances, including by performing regular stress-tests;

d) distribution of responsibilities associated with risk management;

e) conditions, content, frequency of reporting by persons, to whom a permanent risk management function is assigned.

(5) (Supplemented – State Gazette, No. 55/2022) The risk management function is performed by a risk management department or is delegated to a third party under the conditions of Art. 106, para. 1-2, and 5-6, or Art. 222 of CISOU CIA, and in compliance with Art. 41, para. 6.

(6) (Amended and supplemented – State Gazette, No. 55 /2022; supplemented issue 38/2023) With regard to the organisation and activity of the risk management department and the risk management policy, the provisions of Art. 41, para. 2-4, Art. 42, Art. 43, para. 1, Art. 44, para. 3, Art. 45-45e, Art. 47, Art. 48, para. 3 and 4, Art. 48a, Art. 49, para. 2-5 apply respectively.

5. The provisions of Art. 44, para. 3, item 3 and Art. 45 - 45e. do not apply to closed-end national investment funds.

(7) The management company, the alternative investment fund manager, which manages a national investment fund, respectively the national investment company under Art. 172, para. 3 of CISOU CIA, performs at least once a year evaluation, control, and recurring review of:

1. the adequacy and effectiveness of internal risk management rules;

2. the degree of compliance with risk management rules;

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

(8) (Supplemented – State Gazette, No. 55/2022) The periodic review, control and assessment under para. 7 for the relevant year are carried out within 90 days from the end of the year and are documented, indicating the date of their execution.

(9) (Amended and supplemented – State Gazette, No. 55/2022) Information under Art. 43, para. 1 is distributed through the national investment fund's Internet page or that of the entity managing it, within 30 days of performing the review under para. 7 and should

remain available until the next one is performed.

(10) Crossing of each threshold under Art. 44, para. 3, item 4 is documented by the risk management business unit and is reported in order to take corrective measures as provided for in the risk management rules.

(11) Limitations for concentration of the issuer under Art. 187 of CISOUICIA for each national investment fund are calculated based on the underlying exposure arising through the use of derivative financial instruments according to the method of commitments.

(12) (new - State Gazette, issue 55/ 2022) For a new national investment fund, Art. 45 applies accordingly.

Art. 167. (Revoked and new - State Gazette, issue 63 /2016; amended No. 55/ 2022) (1) For issuing of a permit to an open-ended national investment fund to use a loan, a request is submitted to the Commission, attaching respectively the data and documents under Art. 53.

(2) The national investment fund under para. 1 may only use more than one loan if within the same period the total amount of loans does not exceed the amount indicated in Art. 188, para. 2 of CISOUICIA.

(3) With regard to requirements for the use of a loan by an open-type national investment fund, Art. 54, para. 2, Art. 56, para. 1-3, Art. 57 and 58 apply respectively.

Art. 168. (Revoked and new - State Gazette, issue 63 /2016; amended No. 38 / 2023) (1) (Amended – State Gazette, No. 38 /2023) For issuing of a permit to a closed-end national investment fund to use a loan, a request is submitted to the Commission, attaching the following:

1. minutes of the meeting of the competent body according to the statute, respectively the rules of the fund, at which the decision to use a loan and its amount is taken;
2. justification of the loan, including information on the condition of the fund's portfolio with current evaluation under the rules for portfolio evaluation and establishing the net asset value as of the moment of submission of the request;
3. plan of the national investment fund's activity, containing at least the following data:
 - a) volume and structure of investments in the portfolio;
 - b) estimated financial results for the next 12-month period;
 - aa) volume and structure of income;
 - bb) volume and structure of expenses;
 - cc) estimated financial indicators with an analysis justifying expectations;
 - c) plan for repayment of the loan funds;
4. detailed information on collateral and guarantees;
5. financial statement as of the last day of the month preceding the date of submission of the request;
6. draft of the loan contract and the repayment plan coordinated with the entity granting the loan.

(2) The national investment fund under para. 1 may only use more than one loan if within the same period the total amount of loans does not exceed the amount indicated in Art. 188, para. 2 of CISOUICIA.

(3) With regard to requirements for the use of a loan by a closed-end national investment fund Art. 54, para. 2, Art. 56, para. 1-2, Art. 57, Art. 58, para. 2 apply respectively.

(4) Funds from the compensation loan under Art. 56 may be used to acquire the assets the fund may invest in.

Art. 169. (Revoked and new - State Gazette, issue 63 /2016) (1) Public offering of shares or units of a national investment fund is permissible only after publishing of a prospectus.

(2) The prospectus of an open-end national investment fund contains at least the information under appendix No. 2, which is applicable to it. Those items of appendix No. 2, which are considered inapplicable for the specific national investment fund, are indicated in a table on the last page of the prospectus.

Art. 169a. (New - State Gazette No. 55 /2022) (1) The key investor information document must contain a clear warning in case the open-ended national investment fund allows charging and payment of performance fees and/or in periods of negative performance of the open-ended national investment fund.

(2) The key investor information document must state the benchmark and past performance against it where performance fees withheld from investors are calculated based on a benchmark.

Art. 170. (Revoked and new - State Gazette, issue 63 /2016) (1) The national investment fund keeps daily accounting of the activity regulated in the law and its by-laws, and also in the company's internal acts.

(2) With regard to maintaining and storing of accountancy, provisions of Art. 110 are applied respectively.

Art. 171. (Revoked and new - State Gazette, issue 63 /2016) (1) The alternative investment fund manager which manages a national investment fund, respectively the national investment company, adopts, applies, and maintains rules for the private transactions, stipulating the procedure and conditions for effecting private transactions with financial instruments of each person working under a contract for the company and involved in activities, which may cause a conflict of interests, or having access to internal information or other confidential information associated with a national investment fund or with transactions with such fund, in accordance with the activity and functions performed by him/her on behalf of the national investment company, respectively the alternative investment fund manager which manages a national investment fund.

(2) Art. 125 applies respectively to rules for private transactions.

Art. 172. (Revoked and new - State Gazette, issue 63 /2016) (1) The alternative investment fund manager which manages a national investment fund, respectively the national investment company under Art. 172, para. 3 of CISOU CIA, adopts rules for avoiding of conflict of interests, which may arise in the course of providing services and activities and the existence of which may damage the national investment fund's interests.

(2) Rules under para. 1 envisage rules for:

1. avoiding situations of conflict of interests in accordance with the size and organisation structure of the company and the nature, scale, and complexity of performed activity;
2. sample list of circumstances which may lead to a conflict of interests causing a risk of damage to the interests of a national investment fund's client or the fund itself with regard to every specific service or activity performed by the latter;
3. procedures and measures for treating of conflicts of interests.

(3) With regard to rules for prevention of conflict of interests, the provisions of chapter six, section IV apply accordingly.

Art. 173. (New - State Gazette No. 63 /2016; amended and supplemented, No. 55 / 2022)

(1) (Amended – State Gazette, No. 55 /2022) (1) The open-end national investment fund presents to the Commission and the public reports under Art. 191, para. 2 of CISOU CIA. With regard to the content of financial statements, the provisions of Art. 73, 75, and Art. 76, para. 1 and 2 apply accordingly.

(2) The national investment fund presents to the Commission, up to the 10th day of the month following the reporting month, a monthly balance and the information under Art. 72, para. 2. The provisions of Art. 72, para. 3 shall apply accordingly.

(3) The Commission verifies regularity and completeness of presented information under para. 1 and 2, whereas in the event that gaps and inconsistencies are discovered, by the Deputy Chairperson's demand the national investment fund must rectify these within a sufficient period determined by the Deputy Chairperson. The Deputy Chairperson makes a decision under sentence one in the manner of Art. 265 of CISOU CIA.

(4) The national investment fund discloses to the public the information under Art. 72, para. 1 in the manner established in the prospectus and the Key information document.

Information in the key investor information document is disclosed in accordance with Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website (OJ, L 176/1 of 10 July 2010).

(5) When disclosing information under Art. 191, para. 1 of CISOUICIA, the closed-end national investment fund complies with the requirements of Ordinance No. 2.

(6) (new - State Gazette, issue 55 / 2022) An open-ended national investment fund which provides for a performance fee applies the requirements of Art. 71, para. 6 - 9 and Art. 138b - 138e.

Art. 173a. (New - State Gazette No. 55 /2022) (1) The manager of an open-ended national investment fund, within 7 days of the occurrence of the relevant circumstance additionally notifies the Commission about:

1. decision to change the person under Art. 77, para. 3, item 3 MFIA, with which a contract for investment advise was concluded;
2. change in the manner of representing of the national investment company;
3. decision for change of the investment intermediary, through whom most orders at the expense of the national investment fund are performed;
4. a decision for temporary suspension of redemption of shares or units of an open-ended national investment fund;
5. the decision for resuming of redemption;
6. decision for change of the amount of expenses for issuing, respectively redemption;
7. change in the circumstances reflected in documents serving as grounds for issuing of a license, respectively a permit for organisation and management of a national investment fund;
8. initiation of bankruptcy proceedings;
9. making a decision to terminate;
10. arising of other circumstances subject to recording in the Commission's register, respectively changes to these circumstances.

(2) The person who manages a closed-end national investment fund shall notify the Commission of the circumstances under para. 1, items 1 - 3 and 7 - 10 within 7 days of the occurrence of the relevant circumstance.

Art. 174. (New - State Gazette No. 63 /2016; amended No. 55 of 2022) (1) With regard to marketing messages and other information for admission of shares or units of the closed-end national investment fund to trading on a regulated market, notification of the result of the first public offering and the information disclosed subsequently, the requirements of Ordinance No. 2 apply.

(2) (Amended – State Gazette, No. 55/2022) The requirements of Art. 81 and 82 apply with regard to the content of marketing messages of the open-ended national investment fund.

(3) Marketing messages must expressly indicate that the national investment fund is not a collective investment scheme within the meaning of CISOUICIA.

Section II (new - State Gazette No. 63 /2016)

Conversion and winding up a national investment fund and an alternative investment fund manager

Art. 175. (New - State Gazette No. 63 /2016; supplemented No. 55/ 2022) (1) An alternative investment fund manager may be converted by merger, takeover, split or spinoff under the condition that after conversion each of the receiving or new alternative investment fund managers is in compliance with the requirements of CISOUICIA.

(2) For issuing of a permit for conversion under para. 1, a request must be submitted to the Commission, to which the following data and documents are attached:

1. certified transcripts of the decision of the competent body of the converting companies according to statute acts, respectively of the converting company, for effecting the conversion, approval of the contract or plan for conversion under item 3, as well as all necessary amendments and supplements to the statute acts in association with conversion.
2. a written report of the management bodies of the converting and receiving companies containing detailed legal and economic justification of the contract or plan for conversion and especially of the ratio of exchange, and in case of split and spinoff – of the criterion for allocation of shares, data on the assigned verifier under Art. 262l of the CA, and the authorised depository under Art. 262x of CA, as well as difficulties in evaluation, if any;
3. contract or plan for conversion in the form under Art. 262f of the CA and with the content under Art. 262g of the CA, expressly indicating the distribution and management of the alternative investment funds managed by the company;
4. a financial statement and a report of capital adequacy and liquidity of the converting company/ies as of the last day of the month preceding the date of the contract or plan for conversion the Commission may require from the alternative investment fund manager/s additional information and clarification on the reports, as well as presenting an additional financial statement and a report of capital adequacy as of a given date, including a draft;
5. information on changes which have occurred in the property rights and obligations under Art. 262n, para. 4 of CA, if any;
6. the trustee's report under Art. 262m of the CA, respectively also under Art. 262u of the CA;
7. drafts for a new statute of each of the newly founded companies, respectively for amendments and supplements to the statute of each of the converting and receiving companies.

(3) (new - State Gazette No. 55 /2022) In the event of a conversion involving an alternative investment fund manager from another member state, the documents under para. 2 subject to compliance with the special requirements of Chapter Sixteen, Section V of the CA.

Art. 176. (New - State Gazette No. 63 /2016; amended and supplemented, No. 55/ 2022)

(1) The Commission issues or refuses to issue a permit within one month of receiving the request, and where additional information and documents have been demanded – of their receiving.

(2) The Commission refuses to give approval if conversion is not in compliance with legal requirements, the requesting party has presented incorrect data or documents with incorrect content, or the interests of the unitholders of the managed alternative investment funds or the shareholders in the conversion or receiving alternative investment fund manager are not secured.

(3) (Amended and supplemented – State Gazette, No. 55/ 2022) The Commission, simultaneously with issuing of a permit for conversion, issues also a license to perform the requested activities and services under Art. 198 of CISOUICIA to the newly founded or the receiving company, if the license already issued to the receiving company is amended as a result of conversion.

(4) The Commission notifies the Registry Agency of the issued permit for conversion within a three-day period.

Art. 177. (New - State Gazette No. 63 /2016; amended and supplemented, No. 55/ 2022)

(1) For a permit to be issued for a closed-end national investment company to be converted into an open-end national investment company, a request is submitted, to which the following are attached:

1. minutes of the general meeting of shareholders of the national investment company, at which the decision for its conversion was taken, with a certified transcript of the decision of the competent body under the company's statute acts on adopting amendments in the company's internal acts with regard to conversion

2. circumstances and justification of the proposed conversion
 3. plan for conversion, indicating in detail the sequence of actions to be performed with regard to conversion, and the manner, in which shareholders who have not accepted such conversion by expressly voting against, will be reimbursed;
 4. prospectus and key investor information document of the national open-end investment company;
 5. additional agreements with the management company, respectively the alternative investment fund manager, and with the depositary of the converting company, reflecting the change in the organisation form of the closed-end national investment fund into an open-end one;
 6. the statute of the national open-end investment company;
 7. rules for evaluation of the portfolio and establishing the net asset value;
 8. rules for risk management;
 9. (amended – State Gazette, No. 55/2022) data on the name, Personal N, address registration and number of the certificate issued by the Commission to the person under Art. 77, para. 3, item 3 of MFIA, as well as a contract with this person;
 10. expected effect of the suggested conversion on the shareholders' rights;
- (2) The Commission takes a decision with regard to the request within 20 business days of its receiving, and where additional information and documents have been requested – within 20 business days of their receiving. Art. 100, para. 3 -5 shall apply accordingly.
- (3) The Commission sends the permit for conversion of the national investment company to the Registry Agency.
- (4) (Amended and supplemented – State Gazette, No. 55 /2022) The national investment company shall immediately notify the Commission of the entry of the conversion in the commercial register.
- (5) (new - State Gazette, issue 55 /2022) The representatives of the national investment company shall submit to the Commission within 7 days from the entry of the conversion documents and information for the de-registration of the company and its issue from the register under Art. 30, para. 1, item 3 MFIA.
- (6) (Previous para. 5, amended – State Gazette, No. 55 / 2022) The Commission deregisters the company as public and its issue from the register maintained by it within 14 days of the notification under para. 5 and issues a new license to the company.

Art. 178. (New - State Gazette No. 63 /2016; amended No. 55/ 2022) (1) For a permit to be issued for an open-end national investment company to be converted into an closed-end national investment company, a request is submitted, to which the following are attached:

1. minutes of the general meeting of shareholders of the national investment company, at which the decision for its conversion was taken, with a certified transcript of the decision of the competent body under the company's statute acts on adopting amendments in the company's internal acts with regard to conversion;
2. data on the capital accrued by the company up to the date, on which the company has stopped issuing shares, and proof that this capital is in compliance with the requirement of Art. 174, para. 1 of CISOU CIA;
3. circumstances and justification of the proposed conversion
4. conversion plan, indicating in detail the sequence of actions to be performed with regard to conversion, and the manner, in which shareholders who have not accepted such conversion by expressly voting against, will be reimbursed;
5. the names and data on entities holding directly or indirectly 10 or over 10 per cent of shares with a right to vote in the requesting party, or may exercise control over it, and also on the number of votes held by them as of the date, on which the company has stopped issuing shares;
6. prospectus of the closed-end national investment company;
7. additional agreements with the management company, respectively the alternative

investment fund manager, and with the depositary of the converting company, reflecting the change in the organisation form of the national investment fund from open-end into closed-end.

8. (amended – State Gazette, No. 55/2022) data on the name, Personal N, address registration and number of the certificate issued by the Commission to the person under Art. 77, para. 3, item 3 of MFIA, as well as the contract with this person, if the company will not be managed by a management company or an alternative investment fund manager;

9. the statute of the closed-end national investment company;

10. rules for evaluation of the portfolio and establishing the net asset value;

11. rules for risk management;

12. expected effect of the suggested conversion on the shareholders' rights;

(2) The Commission takes a decision with regard to the request within 20 business days of its receiving, and where additional information and documents have been requested – within 20 business days of their receiving. Art. 100, para. 3 -5 shall apply accordingly.

(3) The Commission sends the permit for conversion of the national investment company to the Registry Agency.

(4) The national investment company notifies the Commission about the entry of the conversion at the Commercial register within a 3-day period of recording.

(5) (Amended – State Gazette, No. 55 /2022) Art. 122, para. 3 of POSA and Ordinance No. 22 of 29.07.2005 on the terms and conditions for the registration and de-registration of public companies, other issuers of securities and issues of securities in the register of the Financial Supervision Commission (State Gazette, No. 66 of 2005) shall apply for the registration of the company as a public company. The Commission issues a new license to the company within 14 days of the notification under para. 4.

Art. 179. (New - State Gazette No. 63/ 2016) (1) In the event of conversion by acquisition, one or more national investment funds (converting funds) are wound up without liquidation and they transfer all their assets and liabilities to another existing national investment fund (receiving fund) against provision of units/ shares of the receiving fund to unitholders/shareholders of the converting funds, if applicable – also of a cash sum amounting to no more than 10 per cent of the value of units thus provided, established based on net asset value.

(2) In the event of conversion by merger, two or more national investment funds (converting funds) are wound up without liquidation and they transfer all their assets and liabilities to another national investment fund founded by them (newly founded fund) against provision of units/ shares of the newly founded fund to unitholders/shareholders of the converting funds, if applicable – also of a cash sum amounting to no more than 10 per cent of the value of units/shares thus provided, established based on net asset value.

(3) In the event of conversion by split, one national investment fund (converting fund) is wound up without liquidation and they transfer to other founded national investment funds (receiving funds) corresponding parts of its assets and liabilities against provision of units/shares of the newly founded funds to unitholders/shareholders of the converting fund, if applicable – also of a cash sum amounting to no more than 10 per cent of the value of units/shares thus provided, established based on net asset value.

(4) In the event of conversion by spinoff, one national investment fund (converting fund), without winding up transfers to one or more founded national investment funds (receiving funds) a part of its assets and liabilities against provision of unites/shares of the newly founded funds to unitholders/shareholders of the converting fund, if applicable – also of a cash sum amounting to no more than 10 per cent of the value of units/shares thus provided, established based on net asset value.

Art. 180. (New - State Gazette No. 63 /2016; amended No. 55 of 2022) (1) The transformation of a closed-end national investment fund is carried out with the corresponding application of the provisions of Section II of Chapter Eight of the POSA, as

the documents under Art. 124, para. 1 of the POSA are approved by the Commission in the procedure for issuing a conversion permit. The application is considered within the period under Art. 144, para. 2 CISOUCIA.

(2) The Commission sends the permit for conversion of the closed-end national investment fund to the Registry Agency.

(3) The national investment fund notifies the Commission about the entry of the conversion into the registers kept by the Registry Agency within a 3-day period of recording.

(4) (Amended – State Gazette, No. 55/ 2022) The Commission issues a new license, respectively permit for the newly founded funds, within a 14-day period of notification under para. 3, and enters the newly founded funds and deletes the dissolved funds in the register kept by the FSC, applying Art. 177, para. 5 and 6 and Art. 178, para.5.

Art. 181. (New - State Gazette No. 63 /2016; amended and supplemented, No. 55/ 2022)

(1) For a permit to be issued for conversion by merger, acquisition, split, or spinoff of an open-end national investment fund a request is submitted, to which the following are attached:

1. minutes of the general meeting of shareholders of the investment company, respectively the management company or the alternative investment fund manager, at which the decision for conversion of the fund was taken, and a certified transcript of the competent body's decision to adopt changes in the fund's internal acts with regard to conversion;

2. plan for conversion of the national investment fund approved by the competent authority, for the converting fund (in the event of split and spinoff), or a conversion contract, approved by the competent authorities, for the converting funds (in the event of merger and acquisition), containing:

a) justification of conversion;

b) expected effect of the offered conversion on unitholders/shareholders of the converting funds, and in the cases of conversion by acquisition – also of the receiving fund;

c) date of calculation of the ratio of exchange, the method for its calculation and the adopted criteria for evaluation of assets and liabilities as of this date;

d) the rules under which transfer of assets and exchange of units/shares shall be effected;

3. current prospectus and key investor information document of the receiving or newly founded fund;

4. declaration by each of the depositaries of the converting funds that they have verified compliance of the conversion with regulatory requirements;

5. financial statement of the converting funds as of the date of the decision for conversion, audited by a registered auditor;

6. information on conversion, which will be provided to unitholders/shareholders of the conversion and receiving fund, including data about the period, within which unitholders/shareholders who do not agree to conversion may request redemption of the unit/shares they hold without any additional fees;

7. where conversion creates one or more national investment funds:

a) the rules and/or statute of the newly founded funds;

b) contracts between the national investment company and the management company, respectively the alternative investment fund manager, and the contract with the depositary;

c) data and documents under Art. 10 of CISOUCIA about the members of the board of directors of the national investment company;

d) other necessary documents for issuing of a license to a newly founded open-end national investment fund under Art. 38a and 38b of Ordinance No. 11.

(2) The Commission sends the permit for conversion of the open-end national investment fund to the Registry Agency.

(3) The national investment fund notifies the Commission about the entry of the conversion into the registers kept by the Registry Agency within a 3-day period of recording.

(4) (Amended and supplemented – State Gazette, No. 55/ 2022) The Commission issues a

new license, respectively permit, within a 14-day period of notification under para. 3, and enters the newly founded funds and deletes the dissolved funds in the register kept by the FSC.

Art. 182. (New - State Gazette No. 63 /2016; amended and supplemented, No. 55/ 2022)

(1) A closed-end national investment company is wound up:

1. after it is removed as a public company in the manner of Art. 119 of the POSA;
2. if its shares are not admitted to trading on a regulated market within a one-year term of its entering into the Commercial register;
3. (Supplemented – State Gazette, No. 55 /2022) upon the occurrence of other grounds provided for in its statute, with the exception of the grounds under Art. 183, para. 1.

(2) (Amended – State Gazette, No. 55/2022) The national investment company notifies the Commission about the arising of circumstances under para. 1, item 2 and 3 within a 7-day period of the corresponding circumstance arising and provides the Commission with information and documents about the liquidator's approval, as follows:

1. names, Personal N and registration address, profession or occupation, professional experience and qualification of the offered liquidator (liquidators):
 2. criminal record certificate;
 3. declaration that the person has not been declared insolvent and is not undergoing an insolvency procedure;
 4. declaration that the person has not been a member of a management or control body or a partner with unlimited responsibility in a company, for which an insolvency procedure is initiated, or a company wound up due to insolvency, if unsatisfied creditors have remained;
- (3) (new - State Gazette, issue 55 of 2022) The Commission approves the liquidator within 14 days from the submission of the documents under para. 2, respectively from the removal of incompleteness and inconsistencies, if such is required.

(4) (new - State Gazette, issue 55 of 2022) Upon termination of the national investment company under para. 1, item 1, the information and documents under para. 2 for the liquidator are presented in the proceedings under Art. 119 of the POSA.

(5) (Previous para. 3, amended – State Gazette, No. 55/2022) The Commission notifies the Registry Agency about the arising of grounds for winding up of the national investment company and the approved liquidator within a 3-day period of taking the decision under para. 1, item 1, respectively notification under para. 3. The registry agency appoints a liquidator to the company.

Art. 183. (New - State Gazette No. 63 /2016; amended and supplemented, No. 55/ 2022)

(1) A closed-ended national investment company can be wound up:

1. as a result of conversion;
2. after withdrawal of the license under Art. 177, para. 1 of CISOUCA;
3. by decision of the general meeting of shareholders of the closed-end national investment company to refuse the issued license under Art. 177, para. 1 of CISOUCA;
4. in the event of withdrawal of the license, winding up or insolvency of the management company or the alternative investment fund manager which manages the national investment company.

(2) (Amended and supplemented – State Gazette, No. 55 of 2022) By revoking the license of the closed-end national investment company, the Commission deregisters the company from the register under Art. 30, para. 1, item 3 of the Financial Supervision Commission Act. If within two months of the revocation of the license the company does not submit to the Financial Supervision Commission minutes from a general meeting of the company's shareholders, at which a decision was made to continue to exist as a joint-stock company under the Commercial Act, the company submits to the Commission documents under Art. 182, para. 2. The Commission approves the liquidator in accordance with Art. 182, para. 3 and notifies the Registry Agency of the decision to revoke the license.

(3) (Supplemented – State Gazette, No. 55/2022) The general meeting of shareholders of

the closed-end national investment company may decide to refuse the issued license under Art. 177, para. 1 of CISOUICIA; The decision explicitly states whether the company will continue to exist with another subject of activity and whether it will retain its status as a public company. Upon termination of the company, Art. 182, para. 2 and 3 shall apply accordingly.

(4) (Amended – State Gazette, No. 55 /2022) Within 7 days of the decision under para. 3, the company submits the minutes of the general meeting to the Commission.

(5) In the event of withdrawal of the license, winding up or insolvency of the management company or the alternative investment fund manager which manages the national investment company, it may:

1. make a decision to be managed by the company's board of directors;
2. conclude a contract with another management company or an alternative investment fund manager;
3. continue existing as a joint-stock company under the Commercial act;
4. take a decision to liquidate.

(6) (Amended – State Gazette, No. 55 /2022) In the case under para. 5, items 1 and 2, the company submits to the Commission a contract with a person under Art. 77, para. 3, item 3 MFIA, respectively, with a management company or an alternative investment fund manager, within 3 days of its conclusion. If the company does not conclude such a contract within one month of the decision under para. 5, items 1 and 2 or decides to liquidate, the Commission revokes the issued license. Art. 182, para. 2 and 3 shall apply accordingly.

(7) In the case under para. 5, item 3, the Commission writes off the national investment company from the register under Art. 30, para. 1, item 3 of the FSCA and notifies the Registry Agency about this.

Art. 184. (New - State Gazette No. 63 /2016; amended No. 55/2022) (1) A closed-ended national mutual fund is wound up:

1. after withdrawal of the permit for organisation and management of the fund under Art. 177, para. 2 of CISOUICIA;
2. if its units are not admitted to trading on a regulated market within a one-year term of its entering into the Commercial register;
3. by decision of the management company or the alternative investment fund manager to refuse the issued permit to organise and manage the closed-end national mutual fund;
4. where other grounds indicated in its rules arise.

(2) (Amended – State Gazette, No. 55/2022) The national mutual fund notifies the Commission about the arising of circumstance under para. 1, item 2- 4 within a 7-day period of its and provides the Commission with information and documents about the liquidator's approval, as follows:

1. names, Personal N and registration address, profession or occupation, professional experience and qualification of the offered liquidator (liquidators);
2. criminal record certificate;
3. declaration that the person has not been declared insolvent and is not undergoing an insolvency procedure;
4. declaration that the person has not been a member of a management or control body or a partner with unlimited responsibility in a company, for which an insolvency procedure is initiated, or a company wound up due to insolvency, if unsatisfied creditors have remained;

(3) (Amended – State Gazette, No. 55 / 2022) The Commission approves the liquidator within 14 days from the submission of the information and documents under para. 2, respectively from the removal of incompleteness and inconsistencies, if such is required.

(4) A closed-end national mutual fund may be wound up:

1. as a result of conversion;
2. after withdrawal of the license, the management company or the alternative investment fund manager winding or declaring insolvency, if the management of the fund is not taken

over by another management company or alternative investment fund manager, with the corresponding application of Art. 109.

(5) (Amended – State Gazette, No. 55/2022) If the management of the closed-end national mutual fund is not taken over in the manner of Art. 109, para. 3 applies.

Art. 185. (New - State Gazette No. 63 /2016; amended No. 55/2022) (1) An open-ended national mutual fund is wound up:

1. after withdrawal of the permit for organisation and management of the fund under Art. 177, para. 2 of CISOUICIA;
2. by decision of the management company or the alternative investment fund manager to refuse the issued permit to organise and manage the open-ended national mutual fund;
3. where other grounds indicated in its rules arise.

(2) (Amended – State Gazette, No. 55/2022) The national mutual fund notifies the Commission about the arising of circumstance under para. 1, item 2 and 3 within a 7-day period of its and provides the Commission with documents about the liquidator's approval, as follows:

1. names, Personal N and registration address, profession or occupation, professional experience and qualification of the offered liquidator (liquidators):
2. criminal record certificate;
3. declaration that the person has not been declared insolvent and is not undergoing an insolvency procedure;
4. declaration that the person has not been a member of a management or control body or a partner with unlimited responsibility in a company, for which an insolvency procedure is initiated, or a company wound up due to insolvency, if unsatisfied creditors have remained;

(3) (Amended – State Gazette, No. 55 / 2022) The Commission approves the liquidator within 14 days from the submission of the information and documents under para. 2, respectively from the removal of incompleteness and inconsistencies, if such is required.

(4) An open-end national mutual fund may be wound up:

1. as a result of conversion;
2. after withdrawal of the license, the management company or the alternative investment fund manager winding or declaring insolvency, if the management of the fund is not taken over by another management company or alternative investment fund manager, with the corresponding application of Art. 109.

(5) (Amended – State Gazette, No. 55/2022) If the management of the open-ended national mutual fund is not taken over in the manner of Art. 109, para. 3 applies.

Art. 186. (New - State Gazette No. 63 /2016; amended No. 55/ 2022) (1) An open-ended national investment company is wound up:

1. after withdrawal of the company's license under Art. 177, para. 1 of CISOUICIA;
- by decision of the management company or the alternative investment fund manager to refuse the issued permit under Art. 177, para. 1 of CISOUICIA of the open-ended national investment company;
- by decision of the general meeting of the open-ended national investment company to refuse the issued license under Art. 177, para. 1 of CISOUICIA;
4. where other grounds indicated in its statute arise.

(2) (Amended – State Gazette, No. 55/2022) The national mutual fund notifies the Commission about the arising of circumstance under para. 1, item 2- 4 within a 7-day period of its and provides the Commission with information and documents about the liquidator's approval, as follows:

1. names, Personal N and registration address, profession or occupation, professional experience and qualification of the offered liquidator (liquidators):
2. criminal record certificate;
3. declaration that the person has not been declared insolvent and is not undergoing an insolvency procedure;

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

(3) (Amended – State Gazette, No. 55 / 2022) The Commission approves the liquidator within 14 days from the submission of the information and documents under para. 2, respectively from the removal of incompleteness and inconsistencies, if such is required.

(4) The open-ended national investment company may be wound up:

1. as a result of conversion;

2. after withdrawal of the license, the management company or the alternative investment fund manager winding or declaring insolvency, if the management of the company is not taken over by another management company or alternative investment fund manager, with the corresponding application of Art. 109.

(5) (Amended – State Gazette, No. 55/2022) If the management of the open-ended national management company is not taken over in the manner of Art. 109, para. 3 applies.

Art. 187. (New - State Gazette No. 63 / 2016) Under the condition that applicable law does not stipulate otherwise, with regard to the manner of calling and holding a general meeting of shareholders of a national open-end investment company and distribution of a dividend, the provisions of Chapter eight of POSA apply.

The general meeting is called by the company's board of directors.

Chapter seven "b"

(New - State Gazette No. 63 /2016)

REQUIREMENTS FOR THE ACTIVITY OF ALTERNATIVE INVESTMENT FUND MANAGERS AND THE FUNDS MANAGED BY THEM

Art. 188. (New - State Gazette No.63 /2016; revoked No. 55 /2022)

Art. 189. (New - State Gazette No.63 /2016; revoked No. 55 /2022)

Art. 190. (New - State Gazette No.63 /2016; amended and supplemented, No. 55 / 2022)

(1) (Revoked – State Gazette, No. 55 /2022)

(2) (Supplemented – State Gazette, No. 55 /2022) The annual report of the licensed alternative investment fund manager contains:

1. audited reporting forms under IAS, an auditor's report and clarification notes and announcements allowing the investors to understand the effect of specific operations, events, and their influence on the financial standing and financial results of the activity of the alternative investment fund manager;

2. report of capital adequacy and liquidity;

3. additional information regarding:

a) the state and changes occurring over the last year in the shareholding structure, management bodies, delegated functions, with a detailed description of the persons, to whom functions are delegated, and control performed by the alternative investment fund manager with regard to these entities;

b) the managed alternative investment funds, the countries, on the territory of which they are established, the investment policy and strategy with regard to each managed alternative investment fund, the policy of the alternative investment fund manager for the use of leverage, the risk profile and other characteristics of alternative investment funds it manages;

c) implementation of the policy for remuneration applicable to the alternative investment fund manager, paid remuneration by employee categories, including to those affecting risk and risk management of the alternative investment fund manager, with a breakdown by fixed and variable remuneration paid by the alternative investment fund manager, and also deferred payments;

d) the amount of received remuneration from each managed alternative investment fund;

e) other significant information characterizing the activity of the alternative investment fund manager.

(3) (Amended – State Gazette, No. 55 of 2022) The licensed alternative investment fund manager submits the report under Art. 226, para. 2 CISOUICIA in the form of reports according to the model determined by the Deputy Chairperson, as well as a quarterly report on its capital adequacy and liquidity.

(4) By request of the Deputy Chairperson, the alternative investment fund manager presents additional information and clarification regarding the reports, including analytical reports for each item.

Art. 191. (New - State Gazette No. 63/2016) (1) The legal representative of an alternative investment fund manager with seat in a third country, for which the Republic of Bulgaria is a reference country, keeps a register of incoming and outgoing correspondence, which it processes individually for each fund it manages.

(2) The legal representative under para. 1 must, by the end of the working day following the day of arising of the corresponding circumstance, notify the Commission and the entity, to which it is a representative, in the event that it is impossible for it to perform its obligations under Art. 223 of CISOUICIA.

(3) The legal representative under para. 1 must meet the requirements of Art. 93 CISOUICIA. As proof of the qualification and experience of a legal representative under para. 1, who is a natural person, submits to the Commission:

1. a notarised copy of a higher education diploma; for diplomas, which are not issued by higher education institutions in the Republic of Bulgaria, a certificate of recognition of the diploma issued by the National center for information and documentation is presented;

2. the person's Curriculum Vitae and documents proving occupied positions;

3. a declaration of the circumstances under Art. 93, para. 1, item 2-10 of CISOUICIA;

(4) If the entity under para. 1 is a legal entity, the documents under para. 3 are presented for its representatives.

(5) The information that the legal representative under para. 1 provided to investors, is in Bulgarian. Documents and information may be provided in another language after the express written consent of the investor to whom they are provided.

Art. 192. (New - State Gazette No. 63 /2016; amended and supplemented, No. 55 /2022)

(1) (Former text of Art. 192 - State Gazette No. – State Gazette, No. 55 of 2022) The licensed alternative investment fund manager, within the period under Art. 227, para. 2 CISOUICIA notifies the Commission of:

1. change in the manner of representation;

2. initiation of bankruptcy proceedings;

3. making a decision to terminate;

4. (amended – State Gazette, No. 55 of 2022) change in the name, legal-organizational form, the country of licensing, respectively the country in which the main alternative investment fund is established, and the address of the main alternative investment fund in the cases of a feeder alternative investment fund;

5. (New - State Gazette No. 55/2022) change in the name, country where the seat or branch of the depositary is situated, or the address of the depositary, with which a contract for depositary services is concluded on behalf of the managed alternative investment fund;

6. (New - State Gazette No. 55/2022) change of the actual owners of an alternative investment fund;

7. (New - State Gazette No. 55/2022) change in the members of management and control bodies of an alternative investment fund;

8. (New - State Gazette No. 55/2022) authorisation of a person who may conclude independently or together with another person transactions at the expense of the alternative

investment fund;

9. (new - State Gazette No. 55/2022) conclusion or termination of a contract for the delegation of functions under Art. 222 CISOU CIA;

10. (New - State Gazette No. 55/2022) amendments and/or additions to the articles of association or the company agreement and to the other documents that served as a basis for issuing the license to the alternative investment fund manager, as well as to the internal rules;

11. (Previous item 5 - State Gazette No. 55/2022) changes in the information under Art. 237 of CISOU CIA, which the manager must provide to investors for each alternative investment fund it manages;

12. (Previous item 6 - State Gazette No. 55/2022) occurrence of other circumstances subject to recording in the Commission's register, respectively changes to these circumstances.

(2) (new - State Gazette, issue 55 of 2022) The person registered under Art. 214 CISOU CIA notifies the Commission of the relevant circumstances under para. 1.

Art. 193. (New - State Gazette No. 63 /2016) (1) The methodology for evaluation of net asset value of an alternative investment fund managed by an alternative investment fund manager is specified for each asset owned by the fund, within the rules under Art. 232, para. 1 of CISOU CIA.

(2) The information under Art. 235 - 237 CISOU CIA is provided in Bulgarian. Information under Art. 237 of CISOU CIA may be provided to investors also in compliance with the requirements of Art. 191, para. 5, sentence two.

Art. 194. (New - State Gazette No. 63 /2016; amended No. 55 /2022) For the issuing of a permit under Art. 251 of CISOU CIA, the following are attached to the application:

1. current data and documents under Art. 235-237 of CISOU CIA in the Bulgarian language;

2. current data and documents under Art. 201, para. 2, item 1 of CISOU CIA in the Bulgarian language;

3. other documents proving compliance with the requirements of Art. 251 of CISOU CIA.

Art. 195. (New - State Gazette No. 63 /2016; amended No. 55 / 2022) (1) (Amended – State Gazette, No. 55 /2022) An alternative investment fund manager under Art. 195, para. 2, item 1 of CISOU CIA, providing the services under Art. 198, para. 5 of CISOU CIA adopts, applies, and maintains an effective and transparent policy in accordance with chapter seven "c" for the reasonable and fast processing of complaints submitted by investors.

(2) The manager under para. 1 must document each submitted complaint and the measures taken with regard to it.

(3) Investors have the right to file complaints without paying a fee. The information regarding the policy under para. 1 is provided free of charge to investors.

(4) The policy under para. 1 is adopted and amended by senior management.

Art. 195a. (New - State Gazette No. 55 of 2022) A licensed alternative investment fund manager who enters into financing transactions with securities and swaps for total return shall state this in the information under Art. 237 CISOU CIA and presents information on securities financing transactions and total return swaps that are admissible for the specific alternative investment fund in accordance with section B of the annex to Regulation (EU) 2015/2365.

Art. 195b. (New - State Gazette No. 55/2022) (1) To the notification under Art. 216, para. 5 CISOU CIA, the registered alternative investment fund manager shall attach documents proving the occurrence of the relevant circumstance, if such have not already been submitted to the Commission.

(2) The Deputy Chairperson shall deregister the person under para. 1 of the Commission's register within 14 days from the submission of all necessary documents.

(3) If the alternative investment fund manager does not fulfill his obligation under Art. 216, para. 5 CISOU CIA, within 14 days of establishing the existence of grounds for deregistration,

the Deputy Chairperson shall notify the company and provide it with a period for explanations and objections. Within 14 days from the receipt of explanations and objections, respectively from the expiry of the period for this according to the first sentence, the Deputy Chairperson issues a reasoned decision.

Art. 195c. (New - State Gazette No. 55 of 2022) (1) The licensed alternative investment fund manager shall, for each managed alternative investment fund other than a non-leveraged closed-end alternative investment fund, adopt and implement policies and procedures for performing stress tests for liquidity of the alternative investment fund.

(2) The requirements of Art. 41, para. 6, Art. 44, para. 3, item 3, Art. 45, para. 1 - 3 and 5 and Art. 45a - 45d apply to persons under para. 1.

(3) When creating a new alternative investment fund, different from a closed-end alternative investment fund that does not use leverage, the alternative investment fund manager in the proceedings under Art. 201 or 239 CISOU CIA must:

1. be able to demonstrate that the basic elements of the fund, including its strategy and the frequency of transactions, allow it to remain sufficiently liquid under normal and adverse market conditions;

2. where necessary, undertake liquidity stress tests for assets using the portfolio model as well as for liabilities, incorporating the expected profile of the fund, both from the early and later stages of its existence.

(4) The provisions under para. 1 - 3 also apply to exchange-traded alternative investment funds.

Art. 195d. (New - State Gazette No. 36 of 2023) An alternative investment fund manager who is registered under Art. 214 CISOU CIA or has received a license to operate under Art. 198 of the CISOU CIA, complies with the Guidelines on reporting obligations under Articles 3(3)(d) and 24(1), (2) and (4) of the Alternative Investment Fund Managers Directive (ESMA/2014/869), which the Commission has decided to apply them according to Art. 13, para. 1, item 26 of the Financial Supervision Commission Act.

Chapter seven "c"

(New - State Gazette No. 36 /2023)

OUTSOURCING FUNCTIONS AND ACTIVITIES TO CLOUD SERVICE PROVIDERS

Art. 195e. (New - State Gazette No. 36 /2023) When outsourcing functions and activities to cloud service providers, the depositories of alternative investment funds, the management companies, the alternative investment fund managers, the self-managing alternative investment funds and depositories of alternative investment funds, comply with the Guidelines for outsourcing to cloud service providers (EIOPA-BoS-20-002), issued by the European Insurance and Occupational Pensions Authority , which the FSC has decided to implement according to Art. 13, para. 1, item 26 of the Financial Supervision Commission Act.

Chapter Seven "d"

(New - State Gazette No. 63 /2016; previous Chapter seven "c", No. 36 /2023)

REVIEWING OF COMPLAINTS

Art. 196. (New - State Gazette No. 63 /2016; amended No. 55 / 2022) (1) (Amended – State Gazette, No. 55/2022) The management company or the licensed alternative investment fund manager creates and maintains an organisation for processing of complaints, which ensures the fair review of each case and guarantees identification and avoiding of conflicts of interests.

(2) (Amended – State Gazette, No. 55 of 2022) The management company or the licensed alternative investment fund manager is obliged to register, consider and respond to any complaint without undue delay, but not later than 10 working days from the date of its receipt. When a response cannot be sent within the time under sentence one, the management company or the licensed alternative

investment fund manager shall notify the complainant and the Commission immediately of the reasons for the delay and indicate a deadline for completing the investigation and preparing an answer.

(3) (Amended – State Gazette, No. 55 of 2022) The management company or the licensed alternative investment fund manager when processing the complaints received:

1. keep a register of complaints which are entered in it on the day of their receipt;
2. create a file for each complaint, which contains all documents and information regarding the complaint, collected or created by the management company or the alternative investment fund manager,
3. store the documents and information under item 2 for 5 years;
4. determine the level of access to information in the processing of complaints in accordance with the requirements of Art. 118 and 195.

Art. 197. (New - State Gazette No. 63 /2016; amended No. 55/2022) The management company or the alternative investment fund manager, within a 10-day term from the end of each quarter during which a complaint has been received and/or reviewed, provides to the Commission information about:

1. the date of receiving and unique number of the complaint;
2. (amended – State Gazette, No. 55/2022_) the name/ title and identification number of the entity submitting the complaint;
3. the name of the employee responsible for reviewing the complaint;
4. measures taken with regard to the complaint;
5. the date on which an reply to the complaint is sent, and manner of its sending;
6. the number of contacts made with regard to the submitted complaint;
7. a brief content of the complaint encompassing at least the type of service, complaint or request of the complainant and manner of receiving;
8. manner of communication with the complainant, through which information may be received presently regarding the progress or reviewing of the complaint.

Art. 198. (New - State Gazette No. 63 /2016; amended No. 55 / 2022) (1) (Amended – State Gazette, No. 55 of 2022) The management company or the licensed alternative investment fund manager when processing the complaint:

1. collects and investigates all relevant proof and information with regard to the complaint;
2. keeps correspondence in a clear and understandable for both parties language.

(2) The reply to the complainant includes motives of the position of the management company or the alternative investment fund manager with regard to the complaint, and information on the option to submit complaints before the Commission and other state authorities, and also the forms of out-of-court review of disputes, which are available to the investor in the Republic of Bulgaria.

(3) The management company or the alternative investment fund manager must analyze received complaints and take measures to resolve weaknesses in its operations detected based on the complaints, at least by continuously analysing information on reviewing of complaints, in order to detect and overcome repeating or systematic problems, and also potential legal and operating risks through:

1. analysis of every single case in order to detect common weaknesses in its operations;
2. evaluation whether detected weaknesses also affect other processes or offered products, including those, for which no complaints have been received.

Art. 199. (New - State Gazette No. 63 /2016; amended No. 55 / 2022) Before concluding a contract, the management company or the licensed alternative investment fund manager must provide in an easily accessible manner the following information:

1. the manner of submission of complaints in accordance with the policy for processing of complaints and the Internet page it is published on;
2. the option to submit complaints before the Commission and other state authorities, and also the forms of out-of-court reviewing of disputes available to the investor in the Republic

of Bulgaria.

Chapter Eight ADMINISTRATIVE AND PENAL RESPONSIBILITY

Art. 200. (Previous para. 173, fully amended - State Gazette No. 63 /2016; amended No. 55/ 2022) (1) The persons who have committed violations of the ordinance, and also persons who have permitted such violations, are punished under Art. 273 of CISOU CIA.
(2) (Revoked – State Gazette, No. 55 /2022)
(3) (Revoked – State Gazette, No. 55 /2022)

ADDITIONAL PROVISIONS

§ 1. (Amended and supplemented – State Gazette, No. 63 /2016; amended and supplemented, No. 55 /2022) Pursuant to the ordinance:

1. **"Active market"** of financial instruments is a market, to which the management company has ensured access and complies with the following requirements:

a) pricing information on financial instruments is easily accessible and regularly available from a system for pricing information, and comes from actual and regularly concluded fair transactions;

b) the price is formed between a willing buyer and a willing seller in a fair transaction.

2. **"Senior management"** is the person or persons who actually manage the management company's activity.

3. **"Person or authority performing supervisory functions"** is a person or authority responsible for supervision of the activity of the management company's senior management, and also for evaluation and periodic review of the adequacy and effectiveness of the risk management process and of the policies, measures, and procedures, which the management company must comply with under CISOU CIA.

4. **"Persons working under a contract for the management company"** are:

a) members of the management body of the management company;

b) employee of a management company, as well as any other private person whose services are under the control of the management company and who are directly related to the collective portfolio management by the management company;

c) a private person directly involved in providing services to the management company under a contract for delegation to a third party of activities and functions for the management of the collective portfolio by the management company.

5. **"Liquidity risk"** is the risk arising from an item in the collective investment scheme's portfolio being impossible to sell, liquidate, or close with limited expenses within a suitable short term and compromising the collective investment scheme's ability to redeem its units –by their holders' request.

6. (Amended – State Gazette, No. 63 /2016; amended No. 55/2022) **"Starting capital"** of a management company and of alternative investment fund managers is the capital under Art. 3 or 5 of Ordinance No. 50 of 30.03.2022 on capital adequacy, the liquidity of investment intermediaries and performing supervision over compliance with them (State Gazette No. 27 /2022)

7. **"Operating risk"** is the risk of loss which may arise for the collective investment scheme as a result of inadequate internal processes and omissions arising from human actions and systems of the management company, or external events, and includes legal and documentary risk, as well as risk associated with the procedures of trading, settlement, and evaluation performed on behalf of the collective investment scheme.

8. **"Market risk"** is the risk of loss which may arise for the collective investment scheme as a result of fluctuation in the market value of portfolio items due to changes in market variables, such as interest rates, foreign exchange rates, prices of shares and goods or the

solvency of a given issuer.

9. **"Restructuring of portfolio"** is a significant change in the composition of the collective investment scheme's portfolio.

10. **"Counterparty risk"** is risk of loss which may arise for the collective investment scheme if the counterparty within the transaction does not perform its obligations before the final settlement of money flows for the transaction.

11. (Amended – State Gazette, No. 63/2016) **"Equity"** of the management company and the alternative investment fund managers is the equity under part 2, volume 1, chapter 1, and chapter 4 of Regulation (EU) No. 575/2013.

12. **"Synthetic indicators of risk and reward"** are synthetic indicators within the meaning of Art. 8 of Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website.

13. **"Current liabilities"** is the sum of all short-term and the part of long-term liabilities payable within 1 year from the date, as of which the liquidity report is drawn up.

14. **"Short-term receivables"** are receivables with a term of receiving up to 1 year from the date, as of which the liquidity report is drawn up.

15. **"Hedging transactions"** are transactions concluded in order to reduce risk associated with the assets of the closed -end collective investment scheme and investment companies.

16. (repealed – State Gazette, No. 55 /2022)

17. (New - State Gazette No. 63 /2016) **"Exchange-traded index tracking fund"** is an exchange-traded fund which replicates or tracks the performance of an index.

18. (New - State Gazette No. 63/2016) **"Tracking error"** is volatility of the difference between the annual return of an exchange-traded index tracking fund and the annual return of the index itself.

19. (New - State Gazette No. 63/2016) **"Exchange-traded leveraged index tracking fund"** is an exchange-traded fund, the strategy of which includes an exposure with index leverage or exposure with leverage index.

20. (New - State Gazette No. 63 /2016) **"Complaint"** in Chapter Seven "c" is a complaint from a person with regard to provided investment service or portfolio management by a management company or an alternative investment fund manager.

21. (New - State Gazette No. 55 / 2022) **"Sustainability risks"** means the sustainability risks defined in Art. 2, item 22 of Regulation (EU) 2019/2088.

22. (New - State Gazette No. 55 /2022) **"Sustainability factors"** means the sustainability factors defined in Art. 2, item 24 of Regulation (EU) 2019/2088.

23. (New - State Gazette No. 55/2022) **"Basis Fee Model"** is a model based on a type of performance fee which provides for the increase or decrease in the level of the fee in proportion to the investment performance of the fund over a specified period of time in relation to the investments of an appropriate benchmark (including a negative fee deducted from the main fee charged to the fund).

24. (New - State Gazette No. 55 / 2022) **"Highest Net Asset Value Model"** is a performance fee model where a performance fee can only be charged based on higher than benchmark performance during the performance reference period.

25. (New - State Gazette No. 55 of 2022) **"Best performance model"** is a performance fee model where a performance fee can only be charged if the net asset value exceeds that at which the performance fee was last charged.

§ 2. (Sup. – State Gazette, No. 63 /2016; amended and supplemented, No. 55 /2022; amended and supplemented, No. 36 /2023) (1) (Former text of para. 2 - State Gazette No. 36 / 2023) The ordinance introduces:

1. (Amended and supplemented – State Gazette, No. 55/2022) Commission Directive

- 2010/42/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards certain provisions concerning fund mergers, master-feeder UCITS structures and notification procedure (OJ, L 176/28 of 10 July 2010);
2. (Supplemented – State Gazette, No. 55/2022) Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company (OJ, L 176/42 of 10 July 2010);
3. (Supplemented – State Gazette, No. 55/2022) Commission Directive 2007/16/EC of 19 March 2007 implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards the clarification of certain definitions (OJ, L 79/11 of 20 March 2007);
4. (New - State Gazette No. 63 /2016; supplemented No. 55/2022) 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 August 2014);
5. (New - State Gazette No. 55 /2022) Commission Delegated Directive (EU) 2021/1270 of 21 April 2021 amending Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS), (OJ, L 277/141 of 2 August 2021);
- (2) (new - State Gazette No. 36 /2023) With this ordinance , the application of the following guidelines adopted by the European Insurance and Occupational Pension Insurance Authority is ensured:
1. CESR’s guidelines on the methodology for the calculation of the synthetic risk and reward indicator in the Key Investor Information Document (CESR/10-673);
 2. CESR guidelines on risk measurement and the calculation of global exposure and counterparty risk for UCITS (CESR/10-788);
 3. Guidelines on marketing communications under the Regulation on cross-border distribution of funds (ESMA34-45-1272);
 4. Guidelines on stress tests scenarios under Article 28 of the Money Market Funds Regulation (ESMA34-49-115);
 5. Guidelines on liquidity stress tests in UCITS and AIF (ESMA34-39- 897);
 6. Guidelines for Outsourcing Cloud Service Providers (ESMA50-164-4285).
 7. Guidelines on reporting obligations under Articles 3(3)(d) and 24(1), (2) and (4) of the Alternative Investment Fund Managers Directive (ESMA/2014/869).

TRANSITIONAL AND FINAL PROVISIONS

§ 3. Until expiration of the deadline under § 6 of transitional and final provisions of CISOU CIA real estate owned by the open-ended investment company is evaluated at the end of each financial year or in the event of change of over 5 per cent in the inflation index determined by the National Statistics Institute.

§ 4. The Ordinance comes into effect after its promulgation in the "State gazette", with the exception of Art. 106, which comes into effect on 31 December 2013.

§ 5. (Amended – State Gazette, No. 55 /2022; supplemented issue 36 /2023) The Ordinance is issue don the basis of Art. 3a, Art. 6, para. 6, Art. 19, para. 1, item 5, Art. 21, para. 10, Art. 23, para. 2, Art. 24r, Art. 27, para. 2, Art. 33, Art. 38, para. 4, Art. 39, Art. 42, para. 1, Art. 44, Art. 46, para. 2, Art. 54, para. 11, Art. 60, para. 1, item 3 and para. 2, Art. 64, para. 2, Art. 65, para. 4, Art. 71, para. 4, Art. 73, para. 3, Art. 74, para. 4, Art. 75, para. 1, Art. 77, para. 1, Art. 90, para. 10, Art. 91, para. 3, Art. 92, para. 1 and 2, Art. 104, para. 3, Art.

105, Art. 106, para. 6, Art. 108, para. 10, Art. 144, para. 6, Art. 174, Art. 181, para. 3, Art. 182, para. 3, Art. 184, para. 2, Art. 188, para. 4, Art. 191, para. 2, item 3, Art. 192, Art. 215, para. 1, item 4, Art. 216, para. 6 and 7, Art. 218, para. 4, Art. 220, para. 2, item 5, Art. 222, para. 9, Art. 226, para. 1 and 2, Art. 227, para. 1, item 5, Art. 229, para. 7 and 8, Art. 230, para. 4, Art. 235, para. 4, Art. 236, para. 5 of CISOU CIA and is adopted by decision No 129-H of 20 October 2011 of the Financial Supervision Commission.

Chairperson:
St. Mavrodiiev

**Appendix No. 1 to Art. 71, para. 1 (Amend. – State Gazette, No. 63 /2016;
amended and supplemented, No. 55/2022)**

Minimum content of a collective investment scheme's prospectus

Minimum content of a collective investment scheme's prospectus

1. Information regarding the Management Company.....
 - 1.1. Information on the management company, including whether it is based in a Member State other than the home Member State of the collective investment scheme
 - 1.2. Name or type, legal form, seat and head office if different from headquarters
 - 1.3. Registration date of the company. Time for which it is founded, if limited.
 - 1.4. If the company manages other collective investment schemes, indication of these schemes
 - 1.5. Names and positions in the company of the members of the administrative, managerial and supervisory bodies. Information on their main activities outside the company, where these are of importance to it
 - 1.6. Sum of the subscribed capital with indication of the deposited part
2. Information on the mutual fund
 - 2.1. Name
 - 2.2. Date of establishment of the mutual fund. Time for which it is founded, if limited.
 - 2.3. Indicating the place where the Fund's rules can be obtained, if not applied, as well as the periodic reports
 - 2.4. A brief description of the conditions of the tax system applicable to the mutual fund that are relevant to the unitholders. Indication of the deductions at the source of income and the positive capital gains paid by mutual fund to unitholders
 - 2.5. Accounting dates and income distribution dates
 - 2.6. The names of the auditors responsible for the verification and validation of the accounting information
 - 2.7. Information on the types and main features of units, in particular:
 - nature of the right (in rem or other) represented by the unit;
 - documents certifying the right of ownership, entry in a register or account;
 - characteristics of the units; registered or bearer; specifying the possible denominations;
 - indication of the voting rights of unitholders, if any
 - circumstances in which a decision may be made to terminate the contract fund and the procedure of termination as regards in particular the rights of unitholders.
 - 2.8. Where available, an indication of the stock exchanges or markets on which the shares are listed or traded
 - 2.9. Terms and conditions for issuance and sale of shares
 - 2.10. Terms and conditions for redemption of shares and circumstances in which redemption may be suspended
 - 2.11. Description of the rules for determining and using (allocating) income
 - 2.12. A description of the investment objectives of the mutual fund, including its financial

objectives (e.g. capital growth or realized income), investment policy (e.g. territorial or sectoral specialization), investment policy constraints and indication of techniques and instruments or borrowing powers may be applied to the management of the mutual fund.

2.13. Rules on the measurement of the assets.

2.14. Determination of the sale or issue price and the redemption or purchasing price of the shares and in particular:

- method and frequency of calculation of these prices;
- information on the fees associated with the sale or issue and redemption or redeeming of shares;
- manners, places, and frequency of publishing of these prices.

2.15. Information on the manner, the amount and the calculation of the remuneration payable by the mutual fund to the management company, the depositary or third parties and the reimbursement of the expenses of the mutual fund of the Management company, the depositary or third parties

2.16. (New - State Gazette No. 63 /2016) Information regarding collateral policy, including permissible types of collateral, required extent of collateral and policy for anticipating potential losses, and in the case of cash collateral - reinvestment policy, including the risks associated with it.

2.17. (New - State Gazette No. 63 /2016; amended No. 55 /2022) Information regarding the mutual fund's intention to use increased diversification limits specified in Art. 46, para. 1 CISOU CIA.

2.18. (New - State Gazette No. 55 /2022) Risk profile and description of the risks associated with investing in units of the mutual fund. A description of the risks associated with the use of effective portfolio management techniques, including counterparty risk and potential conflicts of interest, and their implications for the mutual fund's performance.

2.19. (New - State Gazette No. 55/2022) Information on the method used to calculate the total risk exposure, in case the investment policy of the collective investment scheme explicitly provides for the possibility of investing in derivative financial instruments.

3. Information about the investment company

3.1. Name or type, legal form, seat and head office if different from headquarters

3.2. Registration date of the company. Time for which it is founded, if limited.

3.3. Indication of the place where the statute may be obtained, if it is not attached, and periodic reports.

3.4. A brief description of the conditions of the tax system applicable to the company that are relevant to the unitholders. Indication of the deductions at the source of income and the positive capital gains paid by company to unitholders

3.5. Accounting dates and income distribution dates

3.6. The names of the auditors responsible for the verification and validation of the accounting information

3.7. Names and positions in the company of the members of the administrative, managerial and supervisory bodies. Information on their main activities outside the company, where these are of importance to it

3.8. Capital

3.9. Information on the types and main features of units, in particular:

- documents certifying the right of ownership, entry in a register or account;
- characteristics of the units; registered or bearer; specifying the possible denominations;
- indication of the voting rights of unitholders;
- circumstances in which a decision may be made to terminate the investment company and the procedure of termination as regards in particular the rights of unit holders.

3.10. Where available, an indication of the stock exchanges or markets on which the shares are listed or traded

3.11. Terms and conditions for issuance and sale of units

- 3.12. Terms and conditions for redemption of units and circumstances in which redemption may be suspended
- 3.13. Description of the rules for determining and using (allocating) income
- 3.14. Description of the company's investment aims, including its financial aims (growing capital and achieved income).
investment policy (e.g. territorial or industry specialisation), investment policy limitations and indication of the concepts and instruments or borrowing powers that may be applied in the management of the company
- 3.15. Rules on the measurement of the assets.
- 3.16. Determination of the sale or issue price and the redemption price of the units and in particular:
- method and frequency of calculation of these prices;
 - information on the fees associated with the sale or issue and redemption or redeeming of shares;
 - manners, places, and frequency of publishing of these prices.
- 3.17. Information on the manner, the amount and the calculation of the remuneration payable by the fund to its directors and the members of its administrative and management bodies, to the depositary or to third parties and the reimbursement of expenses by the company to its managers, the depositary or third parties
- 3.18. (New - State Gazette No. 63 /2016) Information regarding collateral policy, including permissible types of collateral, required extent of collateral and policy for anticipating potential losses, and in the case of cash collateral - reinvestment policy, including the risks associated with it.
- 3.19. (New - State Gazette No. 63 /2016; amended No. 55 /2022) Information regarding the investment company's intention to use increased diversification limits specified in Art. 46, para. 1 CISOUCA.
- 3.20. (New - State Gazette No. 55 /2022) Risk profile and description of the risks associated with investing in shares of the investment company. A description of the risks associated with the use of effective portfolio management techniques, including counterparty risk and potential conflicts of interest, and their implications for the investment company's performance.
4. (Amended in full - State Gazette No. 63/2016) Information about the depositary:
- 4.1. The depositary's identification data and description of its obligations and of conflicts of interests, which may arise.
- 4.2. A description of all custody functions delegated by the Depositary, a list of persons to whom functions have been delegated or re-delegated, and any conflicts of interest that may arise from such delegation.
- 4.3. Declaration that by investors' request, current information will be provided about item 4.1 and 4.2.
5. Information about consulting firms or external consultants who provide advice under a contract and whose remuneration is paid out of the assets of the collective investment scheme:
- 5.1. Name or type of the company or name of consultant.
- 5.2. Material provisions of the contract with the management company or the investment company that may be relevant to the unitholders, excluding provisions concerning remuneration.
- 5.3. Other significant activities.
6. Information on the organization of payments to unitholders, redeemed units and providing information about the collective investment scheme. This information must be provided in the Member State where the collective investment scheme is established. In addition, where the units are offered on the market of another Member State, this information shall be provided for that Member State in the prospectus published there

7. Other information about investments:
 - 7.1. Performance of the collective investment scheme (where applicable) for previous years - this information may be included in or appended to the prospectus.
 - 7.2. Profile of the type of investor the national investment fund is intended for.
8. Economic information
 - 8.1. (Amended – State Gazette, No. 63 /2016; supplemented No. 55/2022) Any expenses or fees other than the expenses specified in item 2.14, including fees for results achieved, divided according to whether they are paid by the unit holder, the collective investment scheme and the management company.
 - 8.2. (New - State Gazette No. 55/2022) Description of the policy regarding direct and indirect operating costs and fees resulting from the use of effective portfolio management techniques.

Appendix No. 2 to Art. 169, para. 2
(New - State Gazette No. 63 /2016; supplemented No. 55 /2022)
Minimum content of the prospectus of an open-end national investment fund

- A. Minimum information on the title page of the prospectus:
 1. Express indication that the fund is not an undertaking within the meaning of Directive 2009/65/EC, respectively that it is not a collective investment scheme.
 2. Information on the national mutual fund:
 - 2.1. Name
 - 2.2. Date of establishment of the fund. Time for which it is founded, if limited.
 - 2.3. Indicating the place where the fund's rules can be obtained, if not applied, as well as the periodic reports.
 3. Information about the national investment company:
 - 3.1. Name, legal and organisational form, seat and headquarters, if different from the seat.
 - 3.2. Registration date of the company. Time for which it is founded, if limited.
 - 3.3. Indication of the place where the statute may be obtained, if it is not attached, and periodic reports.
 4. Information regarding the Management Company:
 - 4.1. Name or type, legal form, seat and head office if different from headquarters
 - 4.2. If the company manages other alternative investment funds or collective investment schemes, these should be indicated.
 5. Information about the alternative investment fund manager
 - 5.1. Name or type, legal form, seat and head office if different from headquarters
 - 5.2. If the company manages other alternative investment funds, these should be indicated.
 6. Information about the depositary:
 - 6.1. Name or type, legal form, seat and head office if different from headquarters.
 7. Information about the investment consultant: Full name of the person, number of certificate issued by the FSC.
 8. Date, as of which information in the prospectus is current.
 9. Persons responsible for information in the prospectus.
 10. Name of the market maker, if any.
- B. Minimum content of the prospectus:
 1. Information regarding the Management Company:
 - 1.1. Name of the management company, legal and organisational form, seat and management address, if different from the seat.
 - 1.2. Registration date of the company and the time period it is founded for, if limited.
 - 1.3. Names and positions in the company of the members of the administrative, managerial

and supervisory bodies. Brief information about their education and professional experience. Data on the main activities of the persons outside the fund, respectively the company, when they are relevant to it

1.4. Size of the company's subscribed capital.

1.5. Functions and responsibilities of individual business units in the management company associated with the activity of the fund or company.

1.6. Main rights and obligations of the management company and the national investment company under the contract concluded between them.

2. Information about the alternative investment fund manager

2.1. Name of the alternative investment fund manager, legal and organisational form, seat and management address, if different from the seat.

2.2. Registration date of the company and the time period it is founded for, if limited.

2.3. Names and positions in the company of the members of the administrative, managerial and supervisory bodies. Brief information about their education and professional experience. Data on the main activities of the persons outside the fund, respectively the company, when they are relevant to it

2.4. Size of the subscribed capital.

2.5. Functions and responsibilities of individual business units of the alternative investment fund manager associated with the activity of the fund or company.

2.6. Main rights and obligations of the alternative investment fund manager and the national investment company under the contract concluded between them.

3. Information about the investment consultant:

3.1. Full name of the person, number of certificate issued by the FSC.

3.2. Main rights and obligations of the person when managing the investments of the fund, respectively the company, under the contract concluded with the investment consultant.

4. Information about the national investment fund:

4.1. Description of the fund's investment aims, including its financial aims

4.2. Investment policy, limitations of the investment policy and indication of the methods and instruments for its implementation, including the authorisations for lending, which may be applied in the management of the fund.

4.3. Information about the types and major characteristics of each class of units issued by the fund, including:

- nature of the right (in rem or other) represented by the unit;
- documents certifying the right of ownership, entry in a register or account;
- characteristics of the units;
- indication of the unitholders' rights to vote and the corresponding manner of calling and holding general assemblies of the fund;
- indication of the unitholders' right of dividend, if any, including conditions and manner of taking of decisions for distribution of dividend and its payment;
- circumstances, in which a decision may be taken for winding up or conversion of the fund, procedure of winding up and manner of settling the relationship with unitholders.

4.4. Where present, indication of the markets, at which the units are admitted to trade.

4.5. Conditions and procedure of issuing and sale of units, data on distributors of units and offices where this distribution is performed, and the manner, in which payments are organised.

4.6. Conditions and procedure of redemption of units, circumstances, in which redemption may be suspended, as well as the manner, in which payments to investors are organised.

4.7. Rules for evaluation of the fund's assets by types of instruments, in which it may invest.

4.8. Establishing the issue value and redemption price of units and in particular:

- method and frequency of calculation of these prices;
- information on the fees associated with the sale, issuing, and redemption of units;
- manners, places, and frequency of publishing of these prices.

4.9. Description of the rules for establishing and use (distribution) of the income, including the rules for distribution of dividend, if it is distributed.

4.10. Information on the size and manner of calculation of the remuneration payable by the fund to the management company, the manager of alternative investment funds, the depositary and third parties, as well as the manner of reimbursement of expenses by the fund to the management company, the alternative investment fund manager, the depositary, and third parties.

4.11. A brief description of the conditions of the tax system applicable to the fund that are relevant to the unitholders. Indication of the deductions at the source of income and the positive capital gains paid by funds to unitholders, if any

4.12. Data on the manner of announcing of periodic financial information by the fund and messages to investors, including in association with distribution of income.

4.13. The names of the auditors responsible for the verification and validation of the financial information

5. Information about the national investment company:

5.1. Description of the company's investment aims, including its financial aims (e.g. growing capital and achieved income).

5.2. Investment policy (territorial or sector specialisation), limitations of the investment policy and indication of the methods and instruments for its implementation, including the option to use a loan.

5.3. Names and positions in the company of the members of the administrative and managerial bodies. Brief information about their education and professional experience. Information on their main activities outside the company, where these are of importance to it

5.4. Information about the types and main characteristics of shares, including:

- documents certifying the right of ownership;
- characteristics of shares, including indication of a minimum number of shares, which may be acquired, if any;
- indication of the shareholders' rights to vote and the corresponding manner of calling and holding general assemblies of the company;
- indication of the shareholders' right of dividend, if any, including conditions and manner of taking of decisions for distribution of dividend and its repayment;
- circumstances, in which a decision may be taken for winding up or conversion of the company, manner of winding up and manner of settling the relationship with shareholders.

5.5. Where present, indication of the markets, at which the shares are admitted to trade.

5.6. Conditions and procedure of issuing and sale of shares, data on distributors of shares and offices where this distribution is performed, and the manner, in which payments are organised.

5.7. Conditions and procedure of redemption of shares, circumstances, in which redemption may be suspended, as well as the manner, in which payments to investors are organised.

5.8. Rules for evaluation of the company's assets by types of instruments, in which it may invest.

5.9. Establishing the issue value and redemption price of shares and in particular:

- method and frequency of calculation of these prices;
- information about the fees associated with the sale, issuing, and redemption of shares;
- manners, places, and frequency of publishing of these prices.

5.10. Description of the rules for establishing and use (distribution) of the income, including the rules for distribution of dividend, if it is distributed.

5.11. Information on the size and manner of calculation of the remuneration payable by the investment company to the management company, the alternative investment fund manager, the depositary, investment consultant, and other third parties, as well as the manner of reimbursement of expenses by the fund to the management company, the

manager of alternative investment funds, the depositary, and third parties.

5.12. A brief description of the conditions of the tax system applicable to the company that are relevant to the shareholders. Indication of withholding deductions and the positive capital gains paid by company to shareholders, if any

5.13. Data on the manner of announcing of periodic financial information by the company and messages to investors, including in association with distribution of income.

5.14. The names of the auditors responsible for the verification and validation of the financial information

6. Information about the depositary:

6.1. Depositary's identification data and description of its obligations and of conflicts of interests, which may arise.

6.2. A description of all custody functions delegated by the Depositary, a list of persons to whom functions have been delegated or re-delegated, and any conflicts of interest that may arise from such delegation.

6.3. Declaration that by investors' request, current information will be provided about item 6.1 and 6.2.

7. Other information about investments:

7.1. Results of the national investment fund's activity in the last five years.

7.2. Profile of the type of investor the national investment fund is intended for.

8. Expenses

8.1. Expenses for the national investment fund's activity borne by its manager.

8.2. Expenses for the national investment fund's activity, which are at its expense.

8.3. (Supplemented – State Gazette, No. 55/2022) Costs that are borne by the investors, including costs related to the accrual and payment of performance fees.

9. Information about the market maker, including main rights and obligations of the parties to the contract with the market maker.

Appendix No. 3 to Art. 71, para. 2 and Art. 82“g”, para. 2 (New - State Gazette No. 63 /2016; amended and supplemented, No. 55 /2022)

A. (Amended – State Gazette, No. 55 of 2022) Index-tracking collective investment scheme

1. (Amended – State Gazette, No. 55/2022. The prospectus of an index-tracking collective investment scheme includes:

1.1. a clear description of the indices, including their main components or indication of the Internet page where the exact composition of indices is published;

1.2. information about the manner of index tracking (e.g. whether a model of full or sample-based physical replication will be followed, or that of synthetic replication) and the consequences of the selected manner for investors, expressed in their risk exposure to the main index and the counterparty risk;

1.3. information about expected level of tracking error in normal market conditions;

1.4. (amended – State Gazette, No. 55/2022) description of factors which will most probably affect the ability of an index-tracking collective investment scheme to track the results of the indices performance.

1.5. (New - State Gazette No. 55 /2022) frequency of index rebalancing and its impact on costs within the investment strategy of the collective investment scheme.

2. (Amended – State Gazette, No. 55/2022) Information under item. 1.2. is included in brief form also in the key investor information document of the index-tracking collective investment scheme.

B. (Amended – State Gazette, No. 55 /2022) Leveraged index-tracking collective investment scheme

1. (Amended – State Gazette, No. 55/2022. The prospectus of a leveraged index-tracking collective investment scheme with leverage includes:

1.1. description of the manner, in which the policy with leverage will be implemented

(whether the capital lever is at index level, or is a result of the manner, in which the fund achieves exposure to the index), the value of leverage (where appropriate) and the risks associated with this policy;

1.2. description of the effect of a possible use of reverse leverage (i.e. short position);

1.3. (amended – State Gazette, No. 55/2022) description of the way the results of the collective investment scheme's activity may differ significantly from the multiple of the results of the index in short- to mid-term plan.

1.4. (New - State Gazette No. 55 /2022) frequency of index rebalancing and its impact on costs within the investment strategy of the collective investment scheme.

2. (Amended – State Gazette, No. 55/ 2022) The information under item 1. is included in abridged form also in the key investor information document of the leveraged index-tracking collective investment scheme.

Appendix No. 4 to Art. 71, para. 3 (new - State Gazette. 55 /2022)

Information to the prospectus of a collective investment scheme using a total return swap or other derivative financial instruments with the same characteristics:

1. Information about the main strategy and composition of the investment portfolio or index;

2. Information about the counterparty(es) of the transactions;

3. A description of the risk of counterparty default and the implications for investment returns;

4. The extent to which the counterparty has discretionary powers to make decisions about the composition or management of the investment portfolio of the collective investment scheme or the underlying exposures of the derivative financial instruments, and whether the approval of the counterparty is required in relation to any transaction with the investment portfolio of the collective investment scheme investment scheme;

5. Identification of the counterparty as the manager of the investment, when there is delegation in accordance with the provisions of Art. 106, para. 7 CISOUCA.

Appendix No. 5 to Art. 151, para. 1, item 3 (new - State Gazette, No. 55 /2022)

DECLARATION

By

UIC according to BULSTAT,

correspondence address

represented by

The net profit from the (interim/annual) financial statement as of (balance sheet date) of (company name) for inclusion in Tier 1 capital is calculated as follows:

a) retained earnings before taxation (BGN 0);

b) taxes (BGN 0);

c) other deductions (BGN 0);

d) other expected deductions that are not included in the statement of profit and loss (BGN 0);

e) total amount of deductions [b + c+ d] (BGN 0);

f) amount of dividends for which a decision was made or a proposal was made (BGN 0/empty gender

g) maximum amount of dividends in accordance with the dividend policy (BGN 0);

h) amount of dividends according to the average payout ratio (last three years) (BGN 0);

i) amount of dividends according to the payout ratio for the previous year (BGN 0);

j) amount of dividends that will be deducted (maximum amount for letters "g", "h", "i", if "e"; otherwise letter "e") (BGN 0);

k) impact of regulatory restrictions (BGN 0);

l) profit that can be included in the common equity tier 1 [a - e - j + k] (BGN 0). In view of the inclusion of the net profit in the common equity tier 1 of the governing compliance with the requirements of Regulation (EU) no. 241/2014 and this regulation we hereby declare

1. To the best of our knowledge, the above figures are correct.

2. The profit was confirmed by a person/s independent of the management company, who/who answered the reports according to the requirements in Art. 26, paragraph 2 of Regulation (EU) No. 575/2013 and this ordinance.

3. The profit is estimated according to the principles provided in the applicable accounting framework.

4. Any expected deductions from earnings or dividends are deducted from the earnings amount, above.

5. The amount of dividends to be deducted is estimated as stated above.

6. The management body of (name of the management company) undertakes to make the distribution of the dividends, which is in full accordance with the above calculation of the net We are aware that for the indication of incorrect data we are responsible under Art. 313 of the Criminal Code

* This value should be zero only if there is an official decision or proposal not to distribute dividends. If there is no such decision or proposal, the field is not filled.