

Law on Measures against Market Abuse with Financial Instruments
Promulgated SG, issue 84 from 17 October, 2006
Am. – SG, iss. 52 in 2007

Chapter One
GENERAL PROVISIONS

Art. 1. (1) This law shall govern the measures against market abuses, related to the financial instruments.

(2) Market abuse shall be insider dealing and manipulation of the financial instruments market.

Art. 2. The goal of this law is:

1. market abuse prevention and detection;
2. enhancement of public confidence in the financial instruments market;
3. provision of timely and full disclosure of information to the investors;
4. creation of conditions for the development of a fair, transparent and efficient market of financial instruments.

Art.3. (1) (In effect as of the enactment of the Treaty of Accession of the Republic of Bulgaria to the European Union) This law shall apply to:

1. the activities, carried out both on the territory and outside of the territory of the Republic of Bulgaria concerning financial instruments, admitted to trading on a regulated market in the Republic of Bulgaria or for which an admittance to trading on such market has been requested;

2. the activities, carried out on the territory of the Republic of Bulgaria concerning financial instruments, admitted to trading on a regulated market in a member-state or for which a request for admission to trading on such a market has been made;

3. the financial instruments, admitted to trading on a regulated market in the Republic of Bulgaria or in a member-state, or for which a request for admission to trading on such market has been made, including also in the cases where the transactions with these financial instruments were concluded outside of the regulated market.

(2) This law shall not apply to transactions, concluded in fulfilment of the monetary, currency and of the National Debt management policy, by the Republic of Bulgaria or another member-state, the European Central Bank, the Bulgarian National Bank, the central banks of the other member-states, or some other person, that is entrusted to conduct them, or acts for their behalf, as well as the transaction, concluded in pursuance or the policy of the municipal debt management by the local self-governance bodies.

(3)(Am. - SG, iss.52 in 2007) The prohibitions under this Law shall not apply to transactions, concluded in relation to share redemption or for stabilization of financial instruments in connection with their public offering, if they are effected under the conditions and under the procedure of Regulation (EC) No. 2272/2003 of the Commission as regards exemptions for buy-back programmes and stabilization of financial instruments.

Art. 4 (1) Inside information shall mean information of a precise nature, which has not been made public, relating directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments. If it was made public, would be likely to have a significant effect on the prices of those financial instruments or the price of related derivative financial instruments.

(2) The information under para 1 covers any information, which:

1. states facts or circumstances, which have occurred or may reasonably be expected to occur in future and is sufficiently precise, to draw a conclusion about their likely effect on the price of the financial instruments or related derivative financial instruments;

2. is usually used by the investors, to take a decision for investment in the respective financial instrument.

(3) For persons, charged with the execution of orders concerning financial instruments, inside information shall also mean information of a precise nature, conveyed by a client, connected with the client's pending orders, which relates directly or indirectly to one or more issuers of financial instruments or to one or more financial instruments and which, if they were made public, would be likely to have a significant effect on the price of those financial instruments or on the price of related derivative financial instruments.

(4) The facts and circumstances, which may be considered inside information, shall be determined by an ordinance.

Art. 5. (1) In the cases of derivatives on commodities, inside information shall mean information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more commodity derivatives, and which the participants on the market, where such derivatives are traded, would expect to be disclosed in accordance with the accepted market practices on the relevant market, accepted by the Financial Supervision Commission hereinafter referred to as the Commission..

(2) The information, which the participants on the commodity derivatives market expect to be publicly disclosed is the information, which is regularly disclosed to the participants on those markets or whose disclosure is made according the statutory acts, rules and practices, which are applied on the relevant markets, where the underlying asset or the commodity derivatives are traded. .

Art. 6. (1) Manipulation of the financial instruments market shall mean:

1. execution of transactions or issue of orders, which give, or are likely to give, false or misleading idea as to the demand for, supply or price of financial instruments or which secure by the actions of one person, or two or more persons acting in collaboration, the price of one or several financial instruments at an abnormal or artificial level;

2. execution of transactions or giving orders, which employ fictitious devices or any other form of deception or contrivance;

3. dissemination through the media, including the Internet, or by any other means, information which gives, or is likely to give, false or misleading idea as to financial instruments, including the dissemination of rumours and false or misleading news, where the person who made the dissemination knew, or ought to have known that the information was false or misleading.

(2) Manipulative actions and transactions shall be:

1. actions by one person, or two or more persons acting in collaboration, to secure a dominant position over the supply of or demand for financial instruments which has the effect of fixing, directly or indirectly, their price or creating other unfair market conditions;

2. conclusion of transactions with financial instruments at the close of the trade session on the regulated market with the effect of misleading investors acting on the basis of closing prices;

3. voicing an opinion about financial instruments or about their issuer through the mass media, including internet, while having previously taken positions on those financial instruments and profiting subsequently from the impact of the opinions voiced on the price of those financial instruments, without having disclosed that conflict of interest to the public.

4. other actions and transactions, whereby a manipulation of the financial instruments market is realized according para 1.

(3) There shall not be manipulation of the financial instrument market according para 1 item 1, where the person who entered into the transaction or issued the order establishes that his reasons for so doing are legitimate and the execution of the transaction or the issue of the order conform to the accepted market practices on the regulated market concerned, approved by the Commission.

(4)(Am. – SG, iss. 52 in 2007) The Commission shall publish the recognized market practices in its official Bulletin and in another appropriate way. By an ordinance shall be determined the factors that will be accounted for in approving the market practices under para 3 and under Art. 5 para 1 and the procedure of their approval.

(5) In the cases where the information under para 1, item 3 is disseminated by a journalist, when he/she acts in their professional capacity, the rules governing their profession shall be taken into account, unless a journalist derives, directly or indirectly, a benefit from the information dissemination.

Art. 7. The conclusion of transactions in contradiction to the prohibitions under Art. 8, 10 and 11 shall not result in their invalidity.

Chapter Two

PROHIBITIONS OF INSIDER DEALING AND FINANCIAL INSTRUMENTS MARKET MANIPULATION

Art. 8. (1) Any person who possesses inside information by virtue of his/her membership in the issuer's management or supervisory bodies, his/her holding in the capital or the votes in the issuer's general meeting, the access which he/she has to the information, through the exercise of such person's employment, profession or duties, or its acquisition by criminal activities or in another illegitimate way, shall be prohibited from using that information by acquiring or disposing of, or seeking to acquire or dispose of, for his/her own account or for the account of a third party, either directly or indirectly, financial instruments to which that information relates.

(2) Where the person referred to in paragraph 1 is a legal entity, the prohibition on use of inside information shall also apply to any natural person who takes part in the decision taking for the conclusion of a transaction on behalf of the legal entity concerned.

(3) Paragraph 1 shall not apply to transactions concluded in the discharge of executable liabilities for acquisition or disposal of financial instruments, where those liabilities have arisen before the person to possess inside information.

Art. 9. The person under Art. 8 shall be prohibited from:

1. disclosing inside information to any other person unless such disclosure is made in the normal course of the exercise of their employment, profession or duties;
2. recommending to or inducing another person, based on inside information, to acquire or dispose of financial instruments to which that information relates.

Art. 10. (1) The prohibitions under Art. 8 and 9 shall also apply to any person, other than the persons referred in Article 8, who possesses inside information while that person knows, or ought to have known, that it is inside information.

(2) The provisions of Art. 8 and 9 shall also apply to financial instruments, which have not been admitted to trading on a regulated market in the Republic of Bulgaria or some other member-state, but whose value depends on financial instruments, admitted to trading on such markets.

Art. 11 The manipulation of the financial instruments market shall be prohibited.

Chapter Three
MEASURES FOR PREVENTION AND DETECTION OF INSIDER DEALING
AND FINANCIAL INSTRUMENTS MARKET MANIPULATION

Division 1

Disclosure of Information by the Issuers

Art. 12. (1) (Am. – SG, iss. 52 in 2007) The issuer of financial instruments, admitted to trading on a regulated market, or for which the issuer has requested admission to trading on such market must disclose publicly under the procedure of Art. 100s of the Law on Public Offering of Securities the inside information which directly concerns the said issuer.

(2) The information under para 1 may not contain false or misleading or incomplete data.

(3) (Am. – SG, iss. 52 in 2007) The obligation for disclosure under para 1 shall be fulfilled forthwith by the issuer, but not later than the end of the working day following the day the decision-making or learning of the relevant circumstance.

(4) (Censored – iss. 52 in 2007).

(5) The issuer may not combine in a way, which may mislead, the providing of inside information under para 1 with the providing of marketing information about its activities.

(6) (Am. – SG, iss. 52 in 2007) The issuer must disclose under the procedure of para 1 any significant change in the inside information, which has been made public, latest by the expiration of the next working day after the occurrence, or the learning of the changes.

(7) The form, procedure and manner for disclosure of the inside information by the issuer and the ways of its public disclosure shall be laid down in an ordinance.

(8) In case that the financial instruments of the issuer have also been admitted to trading on a regulated market in another member-state, or the issuer has applied for admission to trading on such market, the issuer shall do its best the disclosure of the information under para 1 and 6 to be made simultaneously at all places, where the financial instruments are admitted to trading.

Art. 13. (1) (Am. – SG, iss. 52 in 2007) The issuer may postpone for a certain period of time the disclosure of inside information according Art. 12 where such disclosure may prejudice the issuer's legitimate interests, provided that this is not likely to mislead investors and that the issuer is able to keep its confidentiality.

(2) The issuer's legitimate interests may relate to the following non-exhaustive circumstances:

1. negotiations in course or related circumstances, where the outcome or normal pattern of those negotiations would be likely to be affected by public disclosure, including in the event where the negotiations are held with the purpose of long-term financial recovery of the issuer when it is in worsened financial situation, even though the conditions for adjudication of the issuer in insolvency are not available, where such a public disclosure may seriously jeopardize the interests of existing and potential shareholders;

2. decisions taken or contracts made by the management body of an issuer which need the approval of another body of the issuer to become effective, where the organization of such an issuer requires the separation between these bodies, and whose public disclosure before this approval together with the simultaneous announcement that such approval is still pending, may significantly affect the correct assessment of the information by the investors.

(3) The issuers shall inform in writing the Commission of the postponement within the term under Art. 12 para 3, stating the reasons that necessitated the postponement, the time in

which the information shall be provided to the Commission, as well as the measures taken for keeping the information's confidentiality.

(4) (Am. – SG, iss. 52 in 2007) After the expiry of the term under para 1, as well as in the cases where the confidentiality of the information has been violated, the issuer must disclose the inside information according Art. 12 para 1. Article 12, para 3 shall apply accordingly.

(5) The form and way of notification to the Commission and the measures for keeping the confidentiality of the inside information shall be laid down in an ordinance.

Art. 14. (1) Whenever an issuer, or a person acting on its behalf or for its account, discloses any inside information to any third party in the normal exercise of his employment, profession or duties, the issuer must make public disclosure of that information, simultaneously with its disclosure, if it is deliberate or immediately after its disclosure, if it is not deliberate.

(2) Paragraph 1 shall not apply if the person, receiving the information owes a duty of confidentiality based on a law, on regulation, on articles of association or on a contract.

Division II **List of Insiders**

Art. 15 (1) The issuer of financial instruments, which have been admitted to trading on a regulated market in the Republic of Bulgaria, or for which the issuer has applied for admission to trading on such market, and the person acting in its name and on its behalf, shall draw up and maintain an updated list of the persons, working for them under an employment or civil contract and having a permanent or incidental access to inside information, relating directly or indirectly to the issuer. The list shall be updated immediately upon any change in the reason due to which any person is included on the list, as well as whenever any new person has to be added to the list. In case that some of the persons, included on the list has no longer access to inside information, this circumstance and the date until which the person had an access shall be immediately reflected in the list.

(2) The list under para 1 shall contain at least:

1. the full name of the persons under para 1, having access to inside information,
2. the reason for inclusion of the person on the list;
3. the date at which the list of insiders was created and updated;

(3) The issuer and the persons acting in its name and for its behalf, must keep the list under para 1 for a period of 5 years after being drawn up or updated.

(4) On request by the Commission's deputy chairperson, in charge of Investment Activity Supervision Division, hereinafter referred to as the deputy chairperson, the persons obligated to draw up a list under para 1 shall provide latest by the end of the following working day that list.

(5) The persons obligated to draw up a list under para 1, shall take the necessary actions for acquainting the included in the list persons with their legal duties in relation to the possessed inside information and with the envisaged punitive, administrative and disciplinary sanctions for violation of those duties. A document shall be drawn up for the fulfilment of the obligation for such acquainting of the relevant persons, certifying its performance.

Art. 15a. (New –SG, iss. 52 in 2007) The provisions of Art. 12 – 15 shall not apply to issuers who have not applied for or approved the admission of the issued by them financial instruments to trading on a regulated market.”

Division III
Disclosure of Information on Transactions of Persons, Discharging Managerial Responsibilities

Art. 16. (Am. – SG, iss. 52 in 2007) (1) Persons discharging managerial responsibilities within an issuer and persons closely associated with them, shall notify in writing the Commission of the transactions concluded for their own account with shares issued by the issuer that have been admitted to trading on a regulated market, with derivative or other financial instruments linked to those shares within 5 working days of the transaction's conclusion. The Commission shall make public the received information by the register kept by it under Art. 30 para 1 item 3 of the Financial Supervision Commission Act.

(2) The notification under para 1 shall contain at least:

1. the full name of the person, discharging managerial responsibilities within the issuer, or the full name of the person, closely associated to him;
2. reasons for responsibility to notify;
3. business name of the issuer;
4. description of the financial instruments, subject of the transaction;
5. nature of the transaction (e.g. acquisition or disposal);
6. date and place of conclusion of the transaction;
7. price and number of the financial instruments, subject of the transaction.

(3) (New – SG, iss. 52 in 2007) The obligation of notification shall not apply when the total amount of the transactions concluded by a person performing managerial functions in the issuer and in the persons closely related to it, does not exceed BGN 5 000 within one calendar year. The value of the transaction shall be the market value of the financial instruments on the day of entering into the transaction, and with transactions with derivative instruments – the market value of the underlying asset.

(4) (In effect as of the enactment of the Treaty of Accession of the Republic of Bulgaria to the European Union, am. – SG, iss. 52 in 2007) The obligation under para 1 relates to issuers with a registered office in the Republic of Bulgaria, whose financial instruments have been admitted to trading on a regulated market in the Republic of Bulgaria or in a member-state, or for which an application has been filed to be admitted to trading on such markets, as well as to issuers with a registered office in a third country, whose financial instruments have been admitted to trading on a regulated market in the Republic of Bulgaria or a member-state, and the Republic of Bulgaria is the home member-state of the issuer according Art. 77y para 6 of the Law on Public Offering of Securities.

Division IV
Drawing up and Dissemination of Recommendations

Art. 17. Persons, producing and disseminating recommendations in the exercising of their profession or pursuing their business, must take the necessary care to ensure the fair presentation of the recommendation, as well as to disclose their interests or conflicts of interest, connected with the financial instruments to which the recommendation relates.

Art. 18. (1) Any recommendation must indicate clearly and in a prominent place the person under Art. 17, including the name and job title of the individual who prepared the recommendation and the name of the legal person responsible for its production.

(2) Where the person under Art. 17 is an investment intermediary or a credit institution, the recommendation must indicate the authority, exercising regulation and supervision over their operation. In cases other than in the preceding sentence, when the person under Art. 17 must abide by certain standards and codes of conduct in pursuance of his profession, adopted by a self-regulating professional organization, the recommendation must state the acts, regulating the standards or codes.

(3) With regard to recommendations, which are not written and where the presentation of the information under para 1 and 2 is disproportionate to the recommendation's volume, it shall be enough the recommendation to state the place where such information is directly and easily accessible and public, such as appropriate electronic web site of the person under para 17.

Art.19. (1) The persons under Art. 17 must take the necessary care to ensure that:

1. facts are clearly distinguished from interpretations, estimates, opinions and other types of non-factual information;

2. the information sources are reliable or, where there is any doubt as to their reliability, this circumstance is clearly indicated;

3. all projections, forecasts and price targets are clearly indicated as such and that the material assumptions made in producing or using them are stated.

(2) Upon request by the Commission, the persons under Art. 17 must substantiate any given recommendation.

(3) In addition to the obligations laid down in para 1 and 2, the person under para 17, where such person is an independent analyst, an investment intermediary, credit institution, any related legal entity, any other person, whose main business is to produce recommendations, or a natural person working for them under an employment or civil contract, must take the necessary care to ensure also that:

1. all material sources of information are indicated, including the relevant issuer of financial instruments, to which the recommendation directly or indirectly relates, hereinafter in this Division referred as "issuer", as well as the circumstance whether the recommendation has been disclosed to that issuer and amended in consequence of this disclosure before its dissemination;

2. any basis of calculation or methodology used to evaluate financial instruments or an issuer of financial instruments, or for determination of an expected price of financial instruments is summarized in a clear and accessible for the investors way;

3. the meaning of any recommendation made, for buying, selling or holding of financial instruments, which may also include the term for which the recommendation is valid, is explained in a clear and accessible for the investors way and contains related risk warning, including a sensitivity analysis of the relevant assumptions;

4. reference is made to the frequency of updates of the recommendation, if such updating is planned, and any major changes in the scope of the already announced policy;

5. the date at which the recommendation was first released for distribution is indicated clearly and in a prominent place, as well as the relevant date and time for any financial instrument price mentioned

6. where a recommendation differs from a previous recommendation concerning the same financial instruments or issuer, issued during the 12-month period immediately preceding the second recommendation's release, this change and the date of the earlier recommendation shall be indicated clearly and in a prominent place.

(4) Where the information, which is required to be submitted under para 3, item 1-3 would be disproportionate in relation to the volume of recommendation, it shall be sufficient the written

recommendations clearly and in a prominent place to state the place where such information is directly and easily accessible for the public, such as a direct internet link on an appropriate electronic web-site of the person under Art. 17 provided that there has been no change in the methodology or basis of valuation used.

(5) In respect to recommendation, other than written, Art. 18 para 3 shall apply accordingly.

Art. 20. (1) The person under Art. 17 must disclose all relationships of relatedness or circumstances that may be reasonably expected to impair the objectivity of the recommendation, such as the existence on the side of the person under Art. 17 of a significant financial interest in respect to one or more financial instruments, to which the recommendation relates, or a significant conflict of interest with respect to an issuer to which the recommendation relates.

(2) Where the person under para 17 is a legal person, the provisions of para 1 shall also apply to any legal and natural person working for it under an employment or a civil contract and were involved in the recommendation production. In case that the person under para 17 is an investment intermediary or credit institution, the information under para 1, which is disclosed for the natural persons, working for them under an employment or a civil contract and the legal persons, which are in contractual relations with them and were involved in the recommendation production, shall also include an indication whether the remuneration of those persons is bound with the investment transactions, executed by the investment intermediary, credit institution or a related legal entity. Where the natural persons under sentence one receive or buy shares of the issuer before the public offering of those shares, the price and date at which the shares were acquired shall also be subject to disclosure.

(3) Where the person under Art. 17 is a legal person, the information subject to disclosure in accordance with paragraph 1 shall at least include the following:

1. interests or conflicts of interest of the person under Art. 17, or of related legal persons, that are accessible or reasonably expected to be accessible to the persons involved in the production of the recommendation;

2. interests or conflicts of interest of the person under Art. 17, or of related legal persons, known to persons who were not involved in the production of the recommendation, but had or could reasonably be expected to have access to the recommendation prior to its dissemination to customers or the public.

(4) Any recommendation shall contain the information under para 1-3. Art. 18 para 3 and Art. 19, para 4 shall apply accordingly.

(5) Any recommendation produced by an independent analyst, an investment intermediary, credit institution, related legal person, or any other person under Art. 17, whose main business is to produce recommendations, must contain apart from the information under para 1-4, also clearly and in a prominent pace the following information on their interests and conflicts of interest:

1. where applicable, shareholding of the person under Art. 17, or of any related person, at the rate of 5 or more than 5 per cent in the capital of the issuer, or shareholding of the issuer at the rate of 5 or more than 5 per cent in the capital of the person under Art. 17 or related legal entity;

2. where applicable, any other significant financial interests of the person under Art. 17, or related legal entity, with respect to the issuer;

3. (Am. – SG, iss. 52 in 2007) where applicable, a statement that the person under para 17, or any related legal person, is a market maker or is a liquidity provider in the financial instruments of the issuer.

4. where applicable, a statement that the person under Art. 17 or any related legal person, in the preceding 12 months was a lead underwriter or offeror for initial sale, independently or with another person, of publicly offered financial instruments, issued by the issuer;

5. where applicable, a statement that the person under Art. 17, or any related legal person, is party to any other agreement with the issuer, relating to the provision of investment services, provided that this would not result in the disclosure of any trade secret and that the agreement was in effect over the previous 12 months or during the same period there were grounds for payment of compensation or undertaking liability for payment of compensation;

6. where applicable, a statement that the person under Art. 17 or any related legal person is party to an agreement with the issuer for the production of the recommendation.

Art. 21. Investment intermediaries and credit institutions shall disclose information about the organizational and administrative arrangements set up by them for the prevention and avoidance of conflicts of interest with respect to the produced by them recommendations. Each recommendation must contain the information under sentence one and the provisions of Article 18, para 3 and Art. 19 para 4 shall apply accordingly.

Art. 22. Investment intermediaries and credit institutions shall disclose information within a period by the 15th day of the month, following each quarter, about the proportion of all recommendations that are “buy”, “sell” or “hold” of financial instruments, as well as the proportion of issuers to which any of these categories of recommendations corresponds, and to which the investment intermediary or the credit institution has supplied investment services for a significant amount over the previous 12 months. Each recommendation must contain the information under sentence one and the provisions of Article 18, para 3 and Art. 19 para 5 shall apply accordingly.

Art. 23. Whenever a person under Art. 17 disseminates a recommendation produced by another person, the recommendation must indicate clearly and in a prominent place the identity of the person disseminating it.

Art. 24. (1) Whenever a recommendation is disseminated produced by another person, which has been substantially altered by the person disseminating it, that information must clearly and in detail indicate the substantial alterations in the recommendation. Whenever the substantial alteration consists of a change of the recommendation to buy financial instruments into a hold or sell recommendation or vice versa, Art. 18, 19 and 20, para 1-4 shall apply in respect to the person disseminating the recommendation, in relation to the substantial alteration.

(2) The legal persons under Art. 17 who themselves, or through natural persons, disseminate a substantially altered recommendation must have written rules and procedures, allowing the persons receiving the information to be notified about the place where they can have access to information about the identity of the producer of the recommendation, the recommendation itself and the disclosure of the producer’s interests and conflicts of interest, provided that this information is publicly available.

(3) Paragraphs 1 and 2 shall not apply to news, containing information on recommendations produced by a third party, provided that the substance of the recommendation is not altered.

Art. 25. The persons under Art. 17, who disseminate a summary of a recommendation produced by another person, shall draw up the summary in such a way, as to be clear, not to be misleading and to mention the recommendation to which it refers and the place where the disclosures related to the recommendation are publicly accessible, provided that they are publicly available.

Art. 26. For persons under Art. 17, who are investment intermediaries, credit institutions or natural persons working for them under an employment or civil contract, and who disseminate recommendations produced by a third party, the provisions of Art. 18 para 2 and 3, Art. 20 para 5, Art. 21 and 22 shall also apply, if the recommendation has not already been disseminated through a distribution channel by the person who produced it, as well as Art. 18-22 in case that the investment intermediary or the credit institution has substantially altered the recommendation.

Division V

Requirements to Investment Intermediaries in Relation to Disclosure of Insider Dealing and Financial Instruments Market Manipulation

Art. 27. (1) The investment intermediaries with a registered office in the Republic of Bulgaria, or those entitled to pursue business as an investment intermediary on the territory of the Republic of Bulgaria through a branch, on the basis of their estimate for each specific case, shall inform forthwith the Commission about any transactions in financial instruments, which are reasonably assumed by them to constitute insider dealing or financial instruments market manipulation, taking also into account the signals for the securities market manipulation according the appendix. The signals, listed in the Appendix are non-exhaustive and should not necessarily be deemed in themselves to constitute financial instruments market manipulation.

(2) The notification under para 1 shall contain the following information:

1. data about the person, making the notification and the capacity in which such person acts (for own or for a third party's account);
2. description of the financial instruments, subject of the transaction, including the issuer's business name, code of the issue, number and price of financial instruments, as well as the type of order (limit order, market order or some other type) and the type of transaction (block transaction, or some other type);
3. the grounds for the assumption that the transaction constitutes insider dealing or financial instruments market manipulation;
4. the persons, for whose account the transaction has been effected, as well as the other persons, that participated in the transaction, or the ways of their establishment, if they are not known;
5. some other information, which is of importance in establishing whether the transaction constitutes insider dealing or financial instruments market manipulation.

(3) In case that the information under para 2 is not available at the time of forwarding the notification, the latter shall contain at least the grounds for the suspicion that the transaction constitutes insider dealing or financial instruments market manipulation. The other information under para 2 shall be submitted to the Commission immediately after it becomes known.

(4) The notification under para 1 can be made by post, by e-mail, facsimile or over the telephone. In case that the notification is made over the phone, the person that has forwarded the notice shall within a period of 5 working days submit in writing to the Commission the information under para 2.

(5) In case that the Commission receives a notification under para 1 about transactions with financial instruments, effected on a regulated market in a member-state, the Commission shall forthwith provide this information to the relevant competent authority.

Art. 28. (1) The person, that has made the notification under Art. 27, para 1, as well as the other persons, employed under a labour or civil contract by the investment intermediary, may not inform the persons, for whose account the transaction has been executed, related to them persons, as well as some other persons, of the notification forwarded, except in the cases explicitly

stipulated in the law. The fulfilment of the obligation under sentence one may not be grounds for indictment, provided that the person that made the notification acted in good faith.

(2) The Commission shall keep the confidentiality of the information about the identity of the person, who has made the notification, if the disclosure of such person's identity may harm him.

(3) The disclosure in good faith of information under Art. 27 para 1 to the Commission shall not be considered a violation of the restrictions for disclosure of information, envisaged in a law, sub-statutory act or in a contract and may not be grounds for indictment.

Chapter Four

INFORMATION EXCHANGE AND INTERACTION

Art. 29. (1) In exercising its powers and fulfilment of its functions under this Law and its implementing instruments, the Commission shall interact with the competent authorities of the other states, exchanging information with them and co-operating in the conducting of inspections.

(2) The conditions and procedure for realization of the interaction under para 1 shall be settled by agreements.

Art. 30. (1) The Commission may request from the competent authority of a member state information needed for the purpose of carrying out its duties under this law and the instruments of its implementation.

(2) The information under para 1, which the Commission receives from the competent authorities of a member-state shall be a professional secret.

(3) The Commission may use the received information for other purposes, beside those indicated under para 1, or may provide it to competent authorities from other states only with the explicit consent of the member-state's competent authority.

(4) When the Commission does not receive the information requested under para 1 in time or when the receiving of such information is denied to it, the Commission may notify of it the Committee of European Securities Regulators with a view to reaching a rapid and effective solution.

Art. 31. (In effect as of the enactment of the Treaty of Accession of the Republic of Bulgaria to the European Union) (1) On request of a competent authority from a member state, the Commission shall immediately supply any information required for the exercising of such authority's powers in connection with the prevention and detection of market abuse. If the Commission is not able to supply the required information immediately, it shall notify the relevant competent authority of the reasons.

(2) In cases when the Commission does not have available the information under para 1, it shall take the necessary actions to collect it.

(3) The Commission may refuse to provide the information under para 1 in the cases where the information:

1. may threaten the sovereignty, national security or public policy in the Republic of Bulgaria;

2. relates to the same actions and same persons, for whom in the Republic of Bulgaria there are pending judicial proceedings or effectuated court judgment.

(4) The Commission shall notify the relevant competent authority of the circumstances under para 3, providing in the cases under item 2 detailed information on the initiated proceedings or the effectuated judgment.

(5) The information, which the Commission provides to a competent authority of a member-state may be used for purposes, other than those indicated under para 1 or provided to another state's competent authority only with the Commission's explicit consent.

Art. 32. (In effect as of the enactment of the Treaty of Accession of the Republic of Bulgaria to the European Union) (1) When establishing that breaches of this law or its implementing instruments have been perpetrated or are perpetrated on the territory of another member-state or in relation to financial instruments, which are traded on a regulated market in a member-state, the Commission shall provide information of those offences to the relevant competent authority in that member-state.

(2) The fulfilment of the obligation under para 1 shall not be an impediment for the Commission, or the deputy chairperson, to realize the powers entrusted to them by law. The Commission, or the deputy chairperson, shall consult with the relevant competent authority on the expected consequences of their actions.

Art. 33. (In effect as of the enactment of the Treaty of Accession of the Republic of Bulgaria to the European Union) Whenever informed by the competent authority of a member-state about actions performed in the Republic of Bulgaria, whereby the prevailing in the relevant member-state legislation concerning market abuse is violated or about such actions carried out in relation to financial instruments, traded on a regulated market in the Republic of Bulgaria, the Commission, or the deputy chairman, shall take appropriate actions and shall inform the relevant competent authority of the result, and to the extent possible, of the major stages of the undertaken actions.

Art. 34. (In effect as of the enactment of the Treaty of Accession of the Republic of Bulgaria to the European Union) (1) The Commission may request the competent authority of a member-state to perform appropriate actions for establishment of facts and circumstances in connection with an offence perpetrated under this law and its implementing instruments on its territory, or to delegate officials from the Commission's administration in the relevant member-state, who are to take part in their performance.

(2) Where the Commission is not rendered a timely assistance concerning the request under para 1 or receives a denial, it may inform the Committee of European Securities Regulators in order to attain a prompt and effective solution.

Art. 35. (In effect as of the enactment of the Treaty of Accession of the Republic of Bulgaria to the European Union) (1) On request by a competent authority of a member-state, the Commission, or the deputy chairman, shall forthwith carry out the appropriate actions for clarification of facts and circumstances concerning the establishment of a breach of the relevant member-state's legislation on market abuse. Officials of the relevant competent authority's administration may participate in the performance of the actions, whenever asked for. A document of findings shall be drawn up about the results of the performed actions in three copies, which shall be signed by the persons who participated in the inspection and shall be delivered against a signature to the inspected person. .

(2) The Commission, or the deputy chairperson, may refuse to perform the actions under para 1 or the participation of personnel from the relevant competent authority's administration in their performance in cases where:

1. the carrying out of the actions under para 1 may adversely affect the sovereignty, national security or public policy in the Republic of Bulgaria;

2. there are pending judicial proceedings or effectuated court judgment in respect of the same actions and against the same persons on the territory of the Republic of Bulgaria.

(3) The Commission, or the deputy chairperson, shall notify the relevant competent authority of the circumstances under para 2, in the cases under item 2 providing also detailed information on the initiated proceedings or the effectuated judgment.

Chapter Five CONTROL

Art. 36. (In effect as of the enactment of the Treaty of Accession of the Republic of Bulgaria to the European Union) (1) The control over compliance with this law and its implementing instruments shall be exercised by the Commission and the deputy chairperson.

(2) In respect to the exercising of their functions under this law and its implementing instruments, the Commission, the deputy chairperson and the empowered by them officials shall have the rights under Art. 18 of the Financial Supervision Commission Act, as well as to demand written and oral explanations, records, documents, data and other information from any person, including the persons, who have been successively involved in the transmission of orders or executing of operations, as well as from the person's management bodies.

Chapter Six COERCIVE ADMINISTRATIVE MEASURES

Art. 37 (1) With the purpose of prevention and discontinuance of administrative offences under this law, prevention and elimination of their adverse effects, as well as where the exercising of control activity by the Commission or the deputy chairman is impeded or the interests of investors are jeopardized, the deputy chairman may:

1. issue mandatory prescriptions for taking specific measures needed to remove the offences, their prejudicial effects or the threat to the interests of investors, within a time limit set by him/her;

2. terminate for a certain period or definitively the trade in given financial instruments;

3. demand attachment over property;

4. obligate the issuer to disclose the information under Art. 12 within a time limit set by him/her;

5. withdraw temporarily the license of an investment intermediary for pursuance of business or request the Bulgarian National Bank to withdraw temporarily the authorization of the bank to pursue business as an investment intermediary.

(2) The deputy chairperson may propose to the Bulgarian National Bank to withdraw definitively a bank's license to pursue business as an investment intermediary, if the relevant entity systematically violates the provisions of this law or of its implementing instruments.

(3) The deputy chairman may inform the public about the measures under para 1, as well as about imposed sanctions pursuant to this Law or its implementing instruments, unless this could jeopardize the capital market integrity or may cause unproportionate to the committed offence damages for the persons to whom the information relates.

Art. 38. (1) The proceedings for imposition of the coercive administrative measures shall be started on the initiative of the deputy chairperson.

(2) The notifications and announcements in the proceedings under para. (1) may be also made via registered mail with delivery receipt, via telegram, over the phone, telex or fax. Notifications and announcements via registered mail with delivery receipt or telegram are

verified by a message upon their delivery, those made over the phone - in writing by the official who delivered them, and those by telex or fax - by written confirmation for the sent notification.

(3) If the notifications and announcements in the proceedings under para. (1) are not received on the address, telephone, and telex or fax specified by the persons or entered in the respective register under Art. 30, para. 1 of the Financial Supervision Commission Act, the notifications and announcements are considered sent with their posting on a special, set for the purpose, place in the building of the Commission. The latter circumstance is ascertained by a report prepared by officers appointed with an order of the deputy chairperson.

(4) The coercive administrative measures under Art. 37 shall be applied by a written reasoned decision of the deputy chairperson, which shall be communicated to the person concerned within 7 days as of its pronouncement.

(5) The decision to apply a coercive administrative measure shall be subject to immediate enforcement, regardless of whether it has been appealed against.

Art. 39. Insofar as no special rules have been envisaged in this chapter, the relevant provisions of the Administrative Procedure Code shall apply.

Chapter Seven

ADMINISTRATIVE LIABILITY AND PENALTY PAYMENTS

Art. 40. (1) Any person who commits or admits the committing of an offence under:

1. (Am. – SG, iss. 52 in 2007) Art. 12 para 1, 3, 5 – 8, Art. 13 para 4, Art. 14 para 1, Art.15 para 1,3,4 and 5, Art.16 para 1, Art.18 para 1 and 2, Art.21, Art.22, Art. 23, Art.27 para 1,3 and 4, Art.28 of this law and the implementing ordinances shall be liable to a fine from BGN 200 to BGN 1000;

2. Art. 12 para 2, Art.13 para 2, Art. 17, Art. 19 para 1-3, Art. 20, Art. 24 para 1 and 2, Art. 25 and Art. 26 shall be liable to a fine from BGN 2 000 to BGN 5 000;

3 Art. 8 - 11 shall be liable to a fine from BGN 20 000 to BGN 50 000 if the act does not constitute a crime;

(2) In case of a repeated offence the fine under para. 1 is:

1. under item 1 – from BGN 500 to BGN 2 000;

2. under item 2 – from BGN 5 000 to BGN 10 000;

3. under item 3 – from BGN 50 000 to BGN 100 000.

(3) In case of non-compliance with an imposed coercive administrative measure under Art. 37, those who have committed the act and those who have allowed it shall be liable to a fine from BGN 5 000 to BGN 20 000.

(4) In the cases under para. 1, item 3, those who aid, abet and conceal a crime shall also be penalized, taking into account the nature and extent of their involvement.

(5) For offences under para. 1 and 3 by legal entities and sole traders, property sanction shall be imposed as follows:

1. under para 1:

a) under item 1 - from BGN 500 to BGN 2000 and in case of a repeated offence – from BGN 1 000 to BGN 5 000;

b) under item 2 - from BGN 5 000 to BGN 10 000 and in case of a repeated offence – from BGN 10 000 to BGN 20 000;

c) under item 3 - from BGN 50 000 to BGN 100 000 and in case of a repeated offence - from BGN 100 000 to BGN 200 000;

4. under para. 3 - from BGN 10 000 to BGN 50 000;

(6) Incomes acquired as a result of the offence shall be confiscated in favour of the State, to the extent to which they cannot be refunded to the damaged persons.

Art. 41. (1) The protocols for the offences establishment shall be drawn up by authorized by the deputy chairman officials, and the penalty warrants shall be issued by the Deputy Chairman.

(2) The establishment of offences, the issuing of, appeal against and enforcement of penalty warrants shall be carried out in accordance with the Administrative Violations and Sanctions Act.

ADDITIONAL PROVISION

§ 1. For the purposes of this Law:

1. “Financial instruments” shall mean:

a) securities, which are negotiable on the capital market, with the exception of the payment instruments, such as:

aa) shares in companies and other securities, equivalent to shares in capital companies, personal companies and other legal entities, as well as depository receipts for shares;

bb) bonds and other debt securities, including depository receipts for such securities;

cc) other securities, giving the right to acquire or dispose of any such securities, or giving rise to a cash settlement, fixed by means of securities, foreign exchange rates, interest rates or profitability, commodities and other indexes and indicators;

b) units in collective investment schemes;

c) money market instruments;

d) financial futures;

e) forward interest rate agreements;

f) interest rates, currency and equity swaps;

g) options to acquire or dispose of financial instruments under letters “a” –

“f”, including options on interest rates and currency;

h) commodity derivatives;

i) other instruments, admitted to trading on a regulated market or for which an application for admission or trading on such a market has been filed.

2. “Member-state” means a state, which is a member of the European Union or another state, which belongs to the European Economic Area;

3. “Approved market practices” are practices, which are reasonably expected on one or more markets of financial instruments and have been accepted by the Commission under Art. 6 para 4.

4. “Issuer” means a person, which has issued financial instruments, which are admitted to trading on a regulated market;

5. “A person, discharging managerial functions within an issuer” means a person, who is:

a) a member of the issuer’s management or supervisory body;

b) a person who is not a member of a body under letter “a” and who has a regular access to inside information, relating directly or indirectly to the issuer and who is authorized to take decisions on the issuer’s management, concerning its future development and prospects or exerts a decisive influence over such decision-making;

6. “A person, closely related to a person, discharging managerial functions within an issuer”

means:

a) the spouse of the person, who discharges managerial functions in an issuer and the dependent children;

b) other relatives of the person, discharging managerial functions, who have been in his household at least one year prior to the date of the relevant transaction;

c) a legal entity, in which a person under letters "a" and "b" or under item 5 discharges managerial functions or which is controlled by that person, or has been set up for its benefit or has common economic interests with such person.

7. "Recommendation" means research or some other information, whereby explicitly or implicitly an investment strategy is recommended or proposed, related to one or more financial instruments or financial instruments issuers, including opinion about the present or future value or price of those financial instruments, intended for channels for information distribution or for the public.

8. "Research or other information, by which an investment strategy is recommended or proposed" means:

a) information, produced by an independent analyst, investment intermediary, credit institution or some other person, whose main subject of activity is the production of recommendations or by a physical person, who is employed under a labour or civil contract for these persons, in which explicitly or implicitly an investment recommendation is expressed with respect to certain financial instruments or a financial instruments issuer;

b) information, produced by persons, other than the persons under letter "a", whereby a concrete investment decision regarding certain financial instruments is explicitly recommended.

9. "Channel for information distribution" is a means, through which information is publicly provided or through which a wide circle of persons have an access to information.

10. "Related persons" means:

a) persons one of which controls the other person or its subsidiary;

b) persons the activities of which are controlled by a third party;

c) persons who jointly control a third party;

d) spouses, relatives in the direct line without limitation and in the collateral line up to fourth degree inclusive, and relatives by affinity up to the fourth degree inclusive.

11. "Control" exists where one entity (the controlling entity):

a) holds more than a half of the votes at the general meeting of another legal entity (subsidiary); or

b) may appoint more than a half of the members of the governing or the control body of another legal entity (subsidiary) and is at the same time a shareholder or a partner in such entity; or

c) is entitled to exercise a decisive influence on a legal entity (subsidiary) by virtue of a concluded with such entity contract or of its basic instrument or articles of association, if this is admissible according the legislation, applicable to the subsidiary, or;

d) is a shareholder or a partner in a company, and:

aa) more than a half of the members of the management or control body of such legal entity (subsidiary), which performed the relevant functions in the preceding and current fiscal year and until the time of preparation of the consolidated financial statements, have been appointed only as a result of the exercising of his/her voting right; or

bb) who controls independently or by virtue of a contract with other shareholders or partners in such legal entity (subsidiary) more than half of the votes in the general meeting of this legal entity; or

e) may otherwise exercise a decisive influence over the decision taking in relation to the operation of another legal entity (subsidiary). In the cases under letters “a” and “b” and “d” to the votes of the controlling entity shall be added also the votes of its subsidiaries over which it exercises control, as well as the votes of persons, acting in their own name, but for its account or for the account of its subsidiary.

In the cases under letters “a”, “b” and “d” the votes of the controlling entity shall be reduced by the votes attached to shares, held for the account of a person, which is neither the controlling entity, not its subsidiary, as well as with the votes attaching to shares, that are subject of pledge, if the rights attaching to them are exercised on the orders and in the interest of the pledger.

In the cases under letters “a” and “d” the votes of the controlling entity shall be reduced by the votes attaching to shares, owned by the subsidiary itself through a person, controlling it, or through a person, acting in its name but for the account of the controlling entity and of the subsidiary.

12. “Independent analysts” means a natural person, holding a professional qualification to make analysis of financial instruments or issuers of financial instruments, who produces a recommendation in his/her name and for his/her account and who does not work under an employment or civil contract for an investment intermediary, credit institution or other person, whose main activity is producing recommendations.

13. “Systematic offense” means three or more administrative offenses under this law and/or its implementing instruments, committed within one year.

14. “Repeated offence” means the offence, committed within one year period after the effectuation of a penal warrant, by which a sanction was imposed for the same type of offence.

FINAL PROVISIONS

§ 2. To the Law on Public Offering of Securities (prom. SG iss.114 in 1999; amended iss. 63 and 92 in 2000, iss. 28, 61, 93 and 101 in 2002; iss. 8, 31, 67 and 71 in 2003; iss. 37 in 2004; iss. 19, 31, 39, 103 and 105 in 2005; iss. 30, 33, 34, 59 and 63 in 2006) shall be made the following amendments:

1. In Art. 68, para 1, item 6 the words “under Art. 71 para 1, Art. 161 para 1, Art. 161a and Art. 214 para 2” shall be replaced with “under Art. 71 para 1, Art. 161a, Art. 214 para 2 of this Law and under Art. 11 para 1 from the Law on Measures against Market Abuse with Financial Instruments, and the words “of this Law and its implementing instruments” shall be replaced with “of this Law, of the Law on Measures against Market Abuse with Financial Instruments or its implementing instruments”.

2. In Art. 98

a) paragraph 1 shall be amended as follows:

“(1) The issuer shall inform the Commission about the inside information according Art. 4 of the Law on Measures against Market Abuse with Financial Instruments, which relates directly to it.”

b) paragraphs 2 and 3 are cancelled.

3. The heading of Chapter Twelve shall be amended as follows: “Unfair Trade”.

4. Articles 158-161 shall be cancelled.

5. In Art. 161a the words “investment consulting services about securities or other information” shall be replaced with “any information”.

6. In Art. 162 the words “the restrictions under Art. 160, 161 and 161a” shall be replaced by “the restriction under Art. 161a”.

7. Art. 162 is cancelled.

8. In Art. 221:

a) in para 1 item 2 the words “Art. 98 para 2” are deleted

b) in para 5 the words “Art. 160 para 1 and 2, Art. 161” are deleted.

§ 3. To the Financial Supervision Commission Act (prom. SG iss. 8 in 2003; am. iss. 31, 67 and 112 in 2003, iss. 85 in 2004; iss. 39, 103 and 105 in 2005; issue 30, 56 and 59 in 2006) shall be made the following amendments:

1. In Art. 13 para 1:

a) in item 4 after the word “the Insurance Code” a comma is placed and is added: “the Law on Measures against Market Abuse with Financial Instruments”;

b) in item 18 at the end a comma is placed and the words are added: “as well as with international organizations and institutions in the filed of the financial markets”.

2. In Art. 15, para 1:

a) in item 4 after the words “Securities Act” shall be added “and under Chapter Six of the Law on Measures against Market Abuse with Financial Instruments”;

b) in item 6 after the words “the Securities Act the secondary legislation on the application thereof” shall be replaced with “the Securities Act, the Law on Measures against Market Abuse with Financial Instruments and the secondary legislation of the application thereof”;

c) item 7 shall be amended as follows:

“7. Impose fines and financial sanctions for offences under the Law on Public Offering of Securities, the Law on Measures against Market Abuse with Financial Instruments and the instruments of their implementation;”

d) item 12 is cancelled;

e) in item 15 after the words “this Act” a comma is placed and the words “or in the Law on Public Offering of Securities” shall be replaced with “in the Law on Public Offering of Securities or the Law on Measures Against Market Abuse With Financial Instruments”.

3. In Art. 18:

a) in para 1:

aa) in item 1 after the words “Securities Act” a comma is placed and is added “the Law on Measures against Market Abuse with Financial Instruments”;

bb) in item 5 at the end the words shall be added “and/or in connection with signals, complaint or requests, including by authorities of other states, exercising financial supervision”;

cc) in item 6 after the words “Securities Act” a comma is placed and is added “the Law on Measures against Market Abuse with Financial Instruments”.

b) In para 3 after the words “Health Insurance Act” a comma is placed and the words are added “the Law on Measures against Market Abuse with Financial Instruments”;

4. In Art. 19 para 2 after the words “Health Insurance Act” a comma is placed and the words are added “the Law on Measures against Market Abuse with Financial Instruments”.

5. § 5a is created in the Transitional and Final Provisions:

“§ 5a. The issued by the Commission and the deputy chairpersons until the date of enactment of the Treaty of Accession of the Republic of Bulgaria to the European Union individual administrative acts, which were not subject to appeal through the court, may not be appealed before the court under this Act.”

§ 4. The Financial Supervision Commission shall adopt ordinances for the implementation of the Law.

§ 5. The deputy chairperson may prepare model forms of notifications and other standardized documents in relation to the Law implementation.

§ 6. The Financial Supervision Commission shall provide guidance on the implementation of the Law.

§ 7. This Law comes into effect from 1st January 2007, with the exception of the provisions of Art. 3 para 1, Art. 16 para 3 and Art. 31 – 36, which become effective as of the date of coming into force of the Treaty for the Republic of Bulgaria's accession to the European Union.

Appendix to Art. 27, para 1 List of the Signals of Financial Instruments Market Manipulation

1. the orders given or transactions concluded in financial instruments on a regulated market constitute a significant proportion of the daily volume of the transactions in those financial instruments, in particular when these activities lead to a significant change in the price of the financial instruments;

2. the orders given or transactions concluded in financial instruments on a regulated market by persons with a significant "sell" or "buy" positions in those financial instruments lead to significant changes in the price of the financial instruments, of related financial instruments or of underlying assets, admitted to trading on a regulated market;

3. concluded transactions in financial instruments, admitted to trading on a regulated market, lead to no change in beneficial ownership;

4. the orders given or transactions concluded in financial instruments on a regulated market include position reversals in a short period and represent a significant portion of the daily volume of transactions in those financial instruments, and might be associated with significant changes in the price of the financial instruments;

5. the orders for financial instruments on a regulated market are given or the transactions in them are concluded within a short time span in the trading session and lead to a change in the financial instruments price, which is subsequently reversed;

6. the orders given for transactions in financial instruments on a regulated market change the best bid or offer prices in those financial instruments or the presentation through the trading system of the entered orders by the participants on the market of financial instruments and are removed before they are executed;

7. the orders for transactions in financial instruments on a regulated market are given or the transactions in them are concluded at a period of time, when reference prices, settlement prices or valuations are calculated, and lead to change in the financial instruments price, which has an effect on such prices or valuations;

8. persons give orders or conclude transactions in financial instruments on a regulated market prior to or after they or linked to them persons disseminate false or misleading information;

9. persons give orders or conclude transactions in financial instruments on a regulated market prior to or after they or linked to them persons produce or disseminate research or recommendations, which are erroneous, biased or demonstrably influenced by material interests.