

ORDINANCE № 25
from 22 March, 2006

on the Requirements for the Activities of Investment Companies and Common Funds
(Contractual Funds)

Adopted by Decision № 53-H from 22 March, 2006 of the Financial Supervision Commission, prom, SG, iss. 36 from 2 May, 2006; am. and suppl. iss. 106 from 27 Dec., 2006; iss. 27 from 30 March, 2007; iss. 82 from 12 October, 2007; iss. 29 from 18 March, 2008, in effect from 23 July, 2008

Chapter One

GENERAL PROVISIONS

Art. 1. This Ordinance shall regulate:

1. (Am. – SG, iss. 29 in 2008) the requirements for the securities, money market instruments and other assets in which the investment company and the contractual fund may invest, asset and liability structure and liquidity of investment companies and contractual funds intended to protect investors' interests, including keeping and storing of accounts by investment companies and contractual funds;
2. the manner and procedure for valuation of the assets and liabilities of investment companies and contractual funds, for determination of the net asset value, calculation of the issue price and the redemption price of shares in open-end investment companies and of units of contractual funds;
3. the operations involving sales of shares in investment companies or, respectively, of units in contractual funds;
4. (Am. – SG, iss. 82 in 2007) the contents of the prospectuses, reports, advertisements and publications of open-end investment companies and the contractual funds;
5. the contents of the agreements of the investment company with the management company and with the depository bank or, respectively, of the management company with the depository bank in connection with the safekeeping of the assets of contractual funds;
6. any transformation and dissolution of an investment company and of a contractual fund;
7. any other requirements for the activities of investment companies and contractual funds intended to protect investors' interests.

Art. 2. Members of the management and supervisory body of an investment company, its staff and all other persons working for an investment company under a contract, may not disclose, unless authorized to do so, and may not use to their advantage or to the advantage of other persons any facts and circumstances representing a trade secret, which they have become aware of in performing their official and professional duties.

Art. 3. (1) Any member of the management and supervisory body of an investment company or of a management company and any person connected with any such member, as well as any other person who works for the management company under a contract, may not be a party to transactions with the investment company except in the capacity of shareholder in it.

(2) Any member of the management and supervisory body of a management company and any person related to any such member, as well as any other person who works for the management

company under a contract, may not be a party to transactions with the management company where acting for the account of the contractual fund, except in the capacity of a unit-holder in the contractual fund.

(3) (Am. – SG, iss. 29 in 2008) The conclusion of transactions in financial instruments by the persons referred to in para. 1 and 2 shall be done in accordance with the rules for personal transactions of the members of the management and supervisory body of the investment company or, respectively, of the management company and the persons related to such persons, adopted by the management body and approved by the supervisory body of the company.

Art. 4. (1) (Am. – SG, iss. 29 in 2008) The members of the management and supervisory body of the investment company, as well as any other persons working for the investment company under a contract, shall provide the head of the internal supervision department with information about the financial instruments held by them and/ or by related persons when they assume a position or when they start working for the company.

(2) (Am. – SG, iss. 29 in 2008) The information under para. 1 shall also be furnished in the event of any subsequent acquisition or disposal of financial instruments before the end of the business day following the day of receiving the confirmation of the concluded transaction.

Art. 5. (1) An investment company must have internal organization rules adopted by the management body and approved by the supervisory body of the company.

(2) An investment company must have an internal supervision department verifying compliance with Art. 3, 4 and Art. 74, para. 2, as well as discharging any other functions vested in it by the rules pursuant to para. 1.

(3) The head of the internal supervision department shall be elected, shall report and shall be dismissed under the terms and procedure as laid down in the investment company's instruments of incorporation.

(4) The internal supervision department of the management company which manages the contractual fund shall see to compliance with Art. 3 and Art. 74, para. 2 in respect of the activity of the contractual fund.

Chapter Two

RELATIONS OF AN INVESTMENT COMPANY AND A CONTRACTUAL FUND WITH A MANAGEMENT COMPANY AND A DEPOSITORY BANK

Part I

Relations between an Investment Company and a Management Company or a Person under Art. 12 of the Markets in Financial Instruments Act (MFIA) and Contents of the Agreement between Them

Art. 6. (1) (Am. – SG, iss. 29 in 2008) Any operations of an open-end investment company related to raising cash via a public offering of shares and investing it in financial instruments, as well as to the redemption of shares of the company, must be managed by a management company in accordance with an agreement that has been concluded.

(2) (Am. – SG, iss. 29 in 2008) Any operations under para. 1 of a closed-end investment company, with the exception of any redemption of shares, may be managed by a management company or by the investment company's management body; in the latter case, the company

shall conclude an agreement with a person under Art. 12 of the MFIA that has the right to provide investment advice.

(3) In the cases where a management company manages operations under para. 1, including operations related to administrating the investment company's shares, and calculates the issue price and redemption price of an open-end investment company's shares, it must report and keep and store the accounts of the investment company, meeting all obligations arising for the investment company in relation to this.

(4) A management company may manage any promotional and marketing activities of an investment company if so provided for by the agreement concluded between them.

(5) A management company may prepare on behalf of an investment company a prospectus for public offering of the company's shares if so provided for by the agreement concluded between them.

Art. 7. (Am. – SG, iss. 29 in 2008) The agreement with a management company shall be concluded under the proposed by the management company general conditions and shall contain at least:

1. (Suppl. – SG, iss. 82 in 2007; am. iss. 29 in 2008) information about the parties, including business name, number of entry into the register of the Financial Supervision Commission, hereinafter referred to as the "Commission", the number and date of the licence issued, the number, record, volume and page of entry of the companies into the Commercial Register, the BULSTAT code and the tax registration number;

2. the subject of the agreement;

3. (Am. – SG, iss. 29 in 2008) the company's investment objectives and policy, as well as any restrictions in accordance with the law, the Articles of Association and the prospectus of the company in respect of its investment activities, within which the management company makes investment decisions;

4. any restrictions pursuant to Art. 169, 170, 172 and 175 of the LPOS concerning the relations between the investment company and the management company;

5. the rights and obligations of the parties, including:

(a) the allocation of rights and obligations between the investment company's and the management company's management bodies in relation to the management of the activities of the investment company;

(b) timely disclosure of any required information between the companies and the rules of efficient prevention and/or resolution of any conflict of interest between them;

(c) the investment company's obligation to grant the depository bank consent to immediate collection, as well as to send a copy of this consent to the management company;

(d) (Am. – SG, iss. 29 in 2008) the possibility for the investment company to authorize the management company to participate in general meetings of issuers in whose financial instruments the latter has invested;

(e) the obligation of the investment company to notify forthwith the management company of any coercive administrative measure imposed on it under Art. 212 of the LPOS and the obligation of the management company to notify forthwith the investment company managed by it of any coercive administrative measure imposed on it under Art. 212 of the LPOS in connection with management of the activity of the said investment company;

6. the terms and procedure for the issue (sale) and redemption of shares in the open-end investment company through the management company;
7. the terms and procedure for administering the shares, including legal and accounting services in connection with asset management, investor inquiries, valuation of assets and pricing of shares, monitoring of compliance with regulatory requirements, distribution of dividend, contract settlements, keeping of accounts;
8. the term of validity of the agreement, if any, as well as the terms and procedure for modification, rescission and termination of the agreement, including cases in which the management company has notified the investment company of any decision of the management company to transform the company, initiate bankruptcy proceedings or terminate the agreement, as well as upon revocation of the management company's licence.

Art. 8. (Am. – SG, iss. 29 in 2008) Any agreement with a person under Art. 12 of the MFIA that will provide investment advice to a closed-end investment company must contain the data under Art. 7, items 1 - 4, item 5, letters “a”, “b” and “e” and item 8, as well as:

1. due care on the part of the investment advisor in implementing the agreement;
2. the amount, the terms and procedure for fixing and paying any remuneration to the investment advisor;
3. an investment advisor's obligation to notify the investment company forthwith of any coercive administrative measure applied in respect of it under Art. 212 of the LPOS;
4. liability of either party for any failure to meet their contractual obligations;
5. the applicable law and a means of settling any disputes in a reasonable and fair manner.

Art. 9. (1) Upon rescission of an agreement by reason of any failure by the management company to meet its obligations, the investment company shall give written directions to the management company to immediately stop managing its activities. In this case, the management company must deliver to the investment company all the information and documentation in its possession in respect of the management agreement within 3 days of the receipt of the directions.

(2) Upon termination or rescission of any agreement with a management company, the management body of the investment company must forthwith notify the depository bank and the investment intermediaries authorized by the investment company to follow the directions of the management company.

Part II

Relations of a Contractual Fund with the Management Company upon Revocation of the Licence for Conduct of Business, upon Dissolution or Adjudication in Bankruptcy of the Management Company

Art. 10. (1) Upon revocation of the licence for conduct of business, upon dissolution or adjudication in bankruptcy of the management company which manages a contractual fund, the said management company shall discontinue the management of the said fund and shall forthwith deliver to the depository bank of the fund all the information and documentation in its possession related to the management of the fund.

(2) (Am. – SG, iss. 29 in 2008) Within 14 days of the occurrence of any circumstance covered under para. 1, the depository bank shall conclude and present to the Commission a draft, or drafts of agreements with one or, respectively, more management companies on assumption

of the management of a separate contractual fund, where anyone of such management companies must fulfill the following conditions:

1. it must hold an authorization to organize and manage a contractual fund;
2. its capital adequacy and liquidity must satisfy the statutory requirements and must not be breached consequent to the assumption of the management of the contractual fund;
3. a pecuniary penalty must have not been imposed on the said company, and administrative sanctions must have not been imposed for violations of the LPOS and the instruments on the application thereof on the members of the management or supervisory board of the said company, during the two years last preceding the conclusion of the agreement.

(3) The draft agreements with the management company under para. 2 shall regulate the accession of the said company to the rights and obligations of the management company referred to in para. 1 in connection with the management of the contractual fund.

(4) (Am. – SG, iss.106 in 2006; iss. 29 in 2008) The management company shall file with the Commission an application completed in a standard form established by the Commission and the documents covered under Art. 37a of Ordinance No. 11 of 2003 on licences to carry out activity as regulated market, organizer of multilateral trading facility, investment intermediary, investment company, management company and special investment purpose company (*State Gazette* No. 109 of 2003) (Ordinance No. 11), enclosing the draft, or the drafts of agreements under para 2. The conclusion of a draft agreement and filing of application by several management companies for assuming the management of one and the same fund shall not be admitted.

(5) In the cases where the Commission has required additional information and documents or has set additional requirements for the contents of the draft of agreements presented under para. 2, the Commission shall allow sufficient time for presentation of the said information and documents or, respectively, for bringing them into conformity with the requirements set.

(6) (Suppl. – SG, iss. 106 in 2006) The Commission shall pronounce on any application under para. 4 by a decision, naming therein the management company which is to assume the management of the contractual fund, and shall grant an authorization for management of the contractual fund to the said company. Article 177 para 3 and 4 of the MFIA shall apply accordingly.

(7) Should the depository bank fail to fulfill its obligation under para 2, or should the Commission fail to name in accordance with para 6 the management company which is to assume the management of the contractual fund, the depository bank shall initiate a procedure for dissolution of the fund under the procedure of Art. 25 and 26.

Part III

Relations between an Investment Company and a Depository Bank and Content of the Agreement between Them

Content of the Agreement between the Management Company and the Depository Bank in Connection with the Safekeeping of the Assets of the Contractual Fund

Art. 11. (1) In entering into an agreement with a depository bank, an investment company or, respectively, the management company, where acting for the account of a contractual fund, must require information and documents verifying compliance with the requirements of Art. 173, para. 2, 3 and 8 of the LPOS.

(2) Any such agreement with a depository bank must contain the following minimum information:

1. (Suppl. – SG, iss. 82 in 2007) data about the parties, including the business name, the number of entry of the investment company or, respectively, of the management company and the contractual fund, into the Commission's register, the number and date of the licence issued to the investment company or, respectively, to the management company, and the number and date of the authorization to organize and manage a contractual fund as issued, the number and date of the authorization (licence) issued by the Bulgarian National Bank to the depository bank, the number, record, volume and page of the entry of the companies into the Commercial Register, the BULSTAT code, or unified identification code and the tax registration number;

2. the subject of the agreement;

3. the rights of the investment company or, respectively, of the management company where acting on behalf of the contractual fund, including the right to require from the depository bank any information about the assets entrusted to it and about the operations that it has carried out with them;

4. the obligations of the investment company or, respectively, of the management company, including:

(a) to send the depository bank a copy of its Articles of Association or, respectively, the contractual fund rules, the prospectus, the agreement of the investment company with the management company or with an investment advisor, and the agreements with investment intermediaries, the rules for valuation of the portfolio and determination of the net asset value under Art. 180, para. 1, item 6 of the LPOS (hereinafter referred to as "asset valuation rules"), as well as the obligation to notify the depository bank of any changes in the said documents;

(b) to notify the depository bank forthwith if its agreement with the management company, with an investment advisor or with an investment intermediary has been terminated or rescinded;

(c) to pay remuneration to the depository bank in accordance with the agreement concluded with it;

5. the rights of the depository bank, including the right to require submission of any documents which it needs for meeting its obligations under the agreement that was concluded;

6. the due care by the depository bank in pursuance of Art. 173, para. 10 of the LPOS and regulation of the obligations of the depository bank including:

(a) to keep separate accounts of the cash and any other assets of the investment company or, respectively, of the contractual fund, and to separate their non-cash assets from its own assets;

(b) to ensure the issue (sale), redemption and cancellation of shares in an open- end investment company and of the units of the contractual fund in accordance with the LPOS, the instruments on the application thereof, the prospectus, the Articles of Association of the company or, respectively, the fund rules;

(c) to calculate the issue price and the redemption price of shares in an open-end investment company and the units of the contractual fund, respectively to monitor whether their calculation on the part of the management company is done in compliance with the LPOS, the instruments on the application thereof, the investment company's Articles of Association or, respectively, the contractual fund rules, the prospectus and the asset valuation rules;

(d) to ensure that the payments arising from any transactions in the assets of the investment company and assets of the fund be effected within the statutory time limits, save where the counterparty is defaulting or there are reasonable grounds to believe that it is defaulting;

(e) (Suppl. – SG, iss. 82 in 2007) the obligation to ensure that the collection and use of the investment company's and contractual fund's income is in accordance with the law, the investment company's Articles of Association and the fund rules, including the obligation to monitor whether the remuneration of the management company has been calculated and paid in pursuance of the law and the investment company's Articles of Association and the fund rules;

(f) the obligation to dispose of the assets of the investment company and the contractual fund entrusted thereto solely on instructions from the authorized persons, unless the said instructions are contrary to the law, to the company's Articles of Association or, respectively, to the fund rules, or to the depositary services agreement;

(g) the obligation to notify forthwith the investment company or, respectively, the management company which manages a contractual fund, when it has refused to execute an order given to it because it is contrary to the law, the investment company's Articles of Association or, respectively, to the fund rules, or the depositary services agreement;

(h) (Am. – SG, iss. 29 in 2008) the obligation to account to the investment company or, respectively, to the management company which manages a contractual fund, not less frequently than once monthly, for the assets entrusted thereto, including cash and financial instruments, and for the transactions carried out therein. A copy of the said information shall furthermore be transmitted to the management company with which the investment company has concluded a management agreement;

(i) the obligation to deliver and accept, within set time limits and according to a procedure established by the agreement, any documents and information related to the activities of the investment company and the contractual fund;

(j) (Am. – SG, iss. 27 in 2007) the obligation to notify the investment company or, respectively, the management company which manages the contractual fund, in writing within 3 business days if an administrative measure has been applied against it pursuant to Art. 103 para. 2 of the Law on Credit Institutions;

7. the term of validity of the agreement, if any, as well as the terms and procedure for modification, rescission and termination of the agreement;

8. expenses by type which will be incurred by either party;

9. the terms and procedure for transferring the investment company's and contractual fund's assets upon replacement of the depositary bank, as well as any documents necessary for the new depositary bank to discharge its functions;

10. the procedure for delivery to the depositary bank of all the information and documentation in the possession of the management company related to the activities of the fund, as well as for performance of managerial acts by the depositary bank in respect of the contractual fund in the cases under Art. 177a, para. 10 of the LPOS;

11. the liability of the parties for failure to meet the contractual obligations, including the liability of the depositary bank under Art. 173, para. 11 of the LPOS.

(3) The agreement under para. 1 must also contain the following restrictions and prohibitions:

1. in respect of the investment company:

(a) (Am. – SG, iss. 29 in 2008) against safekeeping its own cash and financial instruments in a bank other than the depository bank, unless otherwise provided for in a law;

(b) against effecting its non-cash payments via a bank other than the depository bank;

2. in respect of the management company, where acting for the account of the contractual fund:

(a) against safekeeping the assets of the fund in a bank other than the depository bank, unless otherwise provided for by law;

(b) against effecting any non-cash payments arising from the activities of the fund via a bank other than the depository bank;

3. in respect of the depository bank:

(a) against assigning any other bank to discharge its functions in respect of the agreement concluded;

(b) (Am. – SG, iss. 29 in 2008) against refusing to provide any information on or to issue a certificate of the amount of assets including any cash deposited, the maturity date and/or the par value of the financial instruments that have been deposited;

(c) (Am. – SG, iss. 29 in 2008) against using for its own account any financial instruments provided thereto for safekeeping;

(d) against being a creditor or guarantor of the investment company and of the contractual fund, except in respect of its receivables under the depository services agreement concluded;

(e) (Am. – SG, iss. 29 in 2008) against setting off any of its receivables against an investment company for the account of the cash and financial instruments entrusted to it by the latter.

(4) The agreement under para. 1 may make provision for the depository bank to:

1. pay for the account of the investment company the remunerations of the members of the management and supervisory body of the company and to transfer any taxes and social insurance contributions due on the said remunerations, as well as any other expenses related to the activities of the investment company;

2. pay the dividend to the shareholders in the investment company or, respectively, to distribute income among the unit-holders in the contractual fund;

3. (Am. – SG, iss. 29 in 2008) assist the investment company or, respectively, the management company where acting for the account of the contractual fund, to obtain information and to participate in general meetings of issuers in whose financial instruments it has invested;

4. send its own representative to general meetings of shareholders, as well as to meetings of the investment company's management body.

Art. 12. (1) (Am. – SG, iss. 29 in 2008) Any physical financial instruments, as well as any certificates of dematerialized financial instruments held by the investment company and the contractual fund, shall be provided to the depository bank for safekeeping.

(2) (Am. – SG, iss. 29 in 2008) Any physical foreign financial instruments, as well as any certificates of dematerialized foreign financial instruments held by the investment company and by the contractual fund, may be provided by the depository bank for safekeeping to a foreign bank with which the depository bank has concluded an agreement. This shall not exempt the depository bank of the liability thereof to the investment company and to the shareholders therein, as well as to the management company and to the unit-holders in the

contractual fund, for any detriment sustained thereby as a result of the actions of the foreign bank.

(3) In an event under para. 2, the depository bank must ask the foreign bank to provide it with any necessary information and documents without delay. The depository bank shall forthwith notify the investment company and the management company of any information and documents received from the foreign bank.

Chapter Three

TERMS AND PROCEDURE FOR ISSUING AN AUTHORIZATION TO TRANSFORM AND DISSOLVE AN INVESTMENT COMPANY AND A CONTRACTUAL FUND

Part I

Transformation of Investment Companies

Art. 13. (1) (Am. – SG, iss. 106 in 2006) An investment company may not be transformed into other type of commercial company or into a contractual fund, as well as change its subject of activity. An investment company shall be transformed by authorization from the Commission through merger, acquisition, division or split-off. An investment company shall be transformed from a closed-end to an open-end only with authorization by the Commission.

(2) Only investment companies may be involved in the transformation under para. 1, sentence one.

(3) (New – SG, iss. 106 in 2006) An open-end investment company may not be transformed into closed-end investment company. In case that an open-end investment company (companies) is involved in the transformation, the provisions of Title IV of the LPOS, with the exception of Chapter Seventeen, shall apply for the transforming, respectively newly established investment company (companies).

Art. 14. (1) Simultaneously with the authorization under Art. 177, para. 3 of the LPOS, the Commission shall also issue a licence to act as an investment company to the newly established investment company or, respectively, to the newly established investment companies.

(2). (Am. – SG, iss. 106 in 2006) By the authorization under Art. 177, para. 3 of the LPOS, the Commission shall also pronounce on the type of the newly established investment company/companies, respectively, the type of the acquiring investment company and, upon transformation through split-off, also on the type of the transforming investment company, while complying with the provision of Art. 13 para 3.

Art. 15. (1) (Am. – SG, iss. 106 in 2006) For the issuance of an authorization to transform a closed-end investment company into an open-end one, there shall be filed an application in a standard form approved by the Commission, enclosing therewith:

1. the Articles of Association of the investment company, reflecting the change in the type of the company;
2. minutes of the general meeting of shareholders in the investment company, at which the decision was made to transform the company and to amend the Articles of Association;
3. a new full and simplified prospectus of the investment company upon transformation from a closed-end to an open-end type;
4. a rationale for the transformation;

5. (Am. – SG, iss. 82 in 2007) agreements or any additional arrangements with the management company or, respectively, with the person under Art. 12 of the MFIA, and with the depository bank reflecting the change in the type of the company;

6. asset valuation rules;

7. a liquidity report under Art. 48, information about the securities in the portfolio, as well as a financial statement in accordance with the requirements of Art. 26, para. 1 of the Accountancy Act (AA) as of the date of making the decision to transform the company;

8. (New – SG, iss. 106 in 2006) rules of risk management;

9. (Prev. item 8 – SG, iss. 106 in 2006) a document certifying that the relevant fee has been paid according to the Tariff an annex to Art. 27, para. 2 of the Financial Supervision Commission Act (FSCA).

(2) Simultaneously with the issuance of the authorization under Art. 177, para. 3, the Commission shall confirm the prospectus of the investment company transformed from a closed-end to an open-end type.

Art. 16. For the issuance of an authorization to transform the company through merger, acquisition, division or spin-off, there shall be filed an application in a standard form approved by the Commission, enclosing therewith:

1. minutes of the general meeting of shareholders in the investment company, at which the decision was made to transform the company;

2. a transformation agreement or plan, conforming to the requirements of Art. 123 of the LPOS, in which the fair price of the shares in the transforming company is calculated on the basis of the company's net asset value and is substantiated on the basis of the indicated in this Ordinance and adopted in the asset valuation rules valuation methods;

3. a report by the management body of the company, conforming to the requirements of Art. 124, para. 2, item 2 of the LPOS, naming the transforming companies' asset valuation methods and a copy of the application to the Central Depository under Art. 262y para 5 of the Commercial Law (CL);

4. information about any changes which have occurred in the property rights and obligations according to Art. 262m para 4 of the Commercial Law, if any;

5. a report and a declaration by the auditor according to Art. 124, para. 2, item 3 of the LPOS;

6. a financial statement as required by Art. 26, para. 1 of the Accountancy Act as of the date of the decision to transform the company, audited by a registered auditor;

7. a certified transcript of the Articles of Association of the newly established investment company or, respectively, of the amended and supplemented Articles of Association of the acquiring company and, upon transformation through spin-off, of the transforming investment company as well;

8. a full and simplified prospectus of the newly established open-end investment company or, respectively, the updated prospectus of the acquiring investment company and, upon transformation through spin-off, of the transforming investment company as well;

9. (Am. – SG, iss. 82 in 2007) the agreements with the management company or, respectively, with the person under Art. 12 of the MFIA, and with the depository bank;

10. (Suppl. – SG, iss. 106 in 2006) the new investment company's asset valuation rules and risk management rules;

11. an authorization by the Commission for the Protection of Competition under Art. 27, para. 2 or, respectively, under Art. 29, para. 3 of the Protection of Competition Act, in the event of merger and acquisition;

12. declarations under Art. 169 of the LPOS by the members of the management and supervisory board or, respectively, of the board of directors, of the newly established investment company or, respectively, of the acquiring investment company, and, upon transformation through spin-off, of the transforming investment company as well;

13. a document certifying that the relevant fee has been paid by the transforming company/companies according to the Tariff - an annex to Art. 27, para. 2 of the Financial Supervision Commission Act;

14. a document certifying that the relevant fee has been paid by the newly established open-end investment company for the issuance of a confirmation of a prospectus according to the Tariff – an annex to Art. 27, para. 2 of the Financial Supervision Commission Act;

15. (Am. – SG, iss. 29 in 2008) other documents required for the issuance of a licence to the newly established investment company according to Art. 26-30 of Ordinance No. 11.

Art. 17. The Commission shall pronounce on an application filed with it under the procedure and within the time limits pursuant to Art. 177, para. 3 and 4 of the LPOS, and simultaneously with the issuance of an authorization for transformation shall issue a licence to the newly established investment company and shall confirm the prospectus of the newly established open-end investment company.

Art. 18. Within the time limit under Art. 122, para. 3 of the LPOS, the newly established company/companies shall submit to the Commission an application for entry into the register of investment companies and a copy of the court decision to enter the company into the Commercial Register.

Art. 19. Where an investment company is transformed from a closed-end into an open-end type, it must announce at the Commission and publish in a daily newspaper under Art. 190 of the LPOS the starting date of issue (sale) and redemption of its shares within 14 days of a notification that an authorization has been issued and the prospectus has been confirmed.

Part II

Dissolution of an Investment Company

Art. 20. (1) Within 14 days of the occurrence of a ground for dissolution of the company according to Art. 252, para. 1, items 1, 2 and 7 of the Commercial Law or Art. 200, para. 2 of the LPOS, the investment company shall be obligated to file an application for the issuance of an authorization for its dissolution with the Commission. The application under the preceding sentence shall be filed on a paper-based medium and a registration form shall be completed on a magnetic data storage medium in a standard form and format established by the Commission, enclosing therewith:

1. a document establishing the ground for dissolution;

2. a financial statement in accordance with the requirements of Art. 26, para.1 of the Accountancy Act as of the date of occurrence of the ground for dissolution;

3. a liquidation programme, which mandatorily makes provisions for measures to protect shareholders in the company, including a prohibition against effecting transactions in the company's assets save in cases under Art. 268, para. 1 of the Commercial Law;

4. the name (forename, patronymic and surname), Personal Identity Number and residence address, profession or occupation, professional experience and qualifications of the proposed liquidator/liquidators, as well as the following documents:

(a) a conviction status certificate;

(b) a statement that the liquidator has not been adjudicated bankrupt or is not subject to bankruptcy adjudication proceedings;

(c) a statement that the liquidator has not been member of the management or supervisory body or a general partner in any company against which bankruptcy proceedings have been instituted or in any company which has been dissolved by reason of bankruptcy, if any unsatisfied creditors have been left;

5. a document certifying that the relevant fee has been paid according to the Tariff - an annex to Art. 27, para. 2 of the Financial Supervision Commission Act..

(2) Any person, who is member of the management body of an investment company or a management company with which the investment company has had a management agreement, or any other person, who has worked for the investment company under a contract and in respect of whom it has been established that the said person has systematically violated the LPOS or its implementing instruments or if a coercive administrative measure has been applied under Art. 212 of the LPOS, shall not be eligible for appointment as liquidator.

Art. 21. The Commission shall consider the application filed with it and shall pronounce under the procedure of Art. 177, para. 3 and 4 of the LPOS

Part III

Transformation of Contractual Funds

Art. 22. (1) (Am. – SG, iss. 106 in 2006) A contractual fund may be transformed only through merger, acquisition, division or spin-off, where in the transformation shall participate only contractual funds, without changing their subject of activity.

(2) (Am. – SG, iss. 106 in 2006) The transformation of the contractual fund shall be made by merger, acquisition, division and spin-off only with an authorization by the Commission. For the transforming, respectively newly established fund (funds) shall apply the provisions of Title IV of the LPOS, with the exception of Chapter Seventeen.

(3) Upon transformation of a contractual fund, the provisions of Chapter Eight, Part II of the LPOS and Chapter Sixteen, Part I and II of the Commercial Law shall apply, *mutatis mutandis*.

Art. 23. (1) Simultaneously with the authorization under Art. 177, para. 3 of the LPOS, the Commission shall issue an authorization to the management company to organize and manage the newly established contractual fund or, respectively, the newly established contractual funds.

Art. 24. (1) For the issuance of an authorization to transform a contractual fund, there shall be filed an application in a standard form approved by the Commission, enclosing therewith:

1. minutes of the meeting of the competent body of the management company or companies at which a decision was made to transform the contractual fund;

2. the transformation agreement, where the funds involved in the transformation are managed by different management companies, and the transformation plan, where the funds involved in the transformation are managed by one and the same management company, satisfying the respective requirements of Art. 123 of the LPOS, in which the fair price of the units of the transforming fund is calculated on the basis of the fund's net asset value and is substantiated on the basis of the valuation methods indicated in this Ordinance and adopted in the asset valuation rules. The transformation agreement shall name the management company which will manage the newly established contractual fund;
3. a report by the management body of the management company, satisfying the requirements of Art. 124, para. 2, item 2 of the LPOS, naming the transforming funds' asset valuation methods and a copy of the application to the Central Depository under Art. 262y, para 5 of the Commercial Law;
4. information about any changes which have occurred in the property rights and obligations according to Art. 262m, para. 4 of the Commercial Law, if any;
5. a report and a declaration by the auditor according to Art. 124, para. 2, item 3 of the LPOS;
6. a financial statement as required by Art. 26, para. 1 of the Accountancy Act as of the last day of the month preceding the date of the decision to transform the fund, audited by a registered auditor;
7. a certified transcript of the rules of the newly established contractual fund or, respectively, of the amended and supplemented rules of the acquiring contractual fund and, upon transformation through spin-off, of the transforming contractual fund as well;
8. a full and simplified prospectus of the newly established contractual fund or, respectively, the updated prospectus of the acquiring contractual fund and, upon transformation through spin-off, of the transforming contractual fund as well;
9. the agreement with the depository bank on the newly established contractual fund and the amended and supplemented depository services agreements on the acquiring contractual fund and, upon transformation through spin-off, on the transforming contractual fund as well;
10. (Suppl. – SG, iss. 106 in 2006) the newly established contractual fund's asset valuation rules and risk management rules;
11. other documents required for the issuance of an authorization to a management company to organize and manage the newly established contractual fund according to Art. 37a of Ordinance No. 11.

(2) The Commission shall pronounce on an application filed with it under the procedure and within the time limits pursuant to Art. 177, para. 3 and 4 of the LPOS, and simultaneously with the issuance of an authorization shall confirm the prospectus of the newly established contractual fund.

Part IV

Dissolution of a Contractual fund

Art. 25. (1) Within 14 days of the occurrence of a ground for dissolution of a contractual fund under Art. 363, letters "a" and "b" of the Obligations and Contracts Act and/or as provided for in the contractual fund rules, the management company shall be obligated to file an application for the issuance of an authorization for dissolution of the contractual fund with the Commission. The application under the preceding sentence shall be filed on a paper-based

medium and a registration form shall be completed on a magnetic data storage medium in a standard form and format established by the Commission, enclosing therewith:

1. the decision of the management body of the management company on dissolution of the contractual fund, made in pursuance of the contractual fund rules;
2. a financial statement in accordance with the requirements of Art. 26, para. 1 of the Accountancy Act as of the date of occurrence of the ground for dissolution;
3. a liquidation programme, which mandatorily makes provisions for measures to protect the unit-holders, including a prohibition against effecting transactions in the fund's assets save where this is necessitated by the liquidation;
4. name (forename, patronymic and surname), Personal Identity Number and residence address, profession or occupation, professional experience and qualifications of the proposed liquidator/liquidators, as well as the following documents:

(a) a conviction status certificate;

(b) a statement that the liquidator has not been adjudicated bankrupt or is not subject to bankruptcy proceedings;

(c) a statement that the liquidator has not been member of the management or supervisory body or general partner in any company against which bankruptcy proceedings have been instituted or in any company which has been dissolved by reason of bankruptcy, if any unsatisfied creditors have been left.

(2) Any person, who is a member of the management or the control body of the management company, or any other person who has worked for the management company under a contract and in respect of whom it has been established that the said person has systematically violated the LPOS or its implementing instruments, or if a coercive administrative measure has been applied under Art. 212 of the LPOS, shall not be eligible for appointment as liquidator.

Art. 26. (1) The Commission shall consider the application filed with it and shall pronounce under the procedure of Art. 177, para. 3 and 4 of the LPOS.

(2) Upon dissolution of a contractual fund, Art. 267, Art. 268, para. 1 and 3, Art. 270, Art. 271 and Art. 273 of the Commercial Code shall apply, *mutatis mutandis*, in respect of the obligations of the liquidator and the protection of the creditors of the contractual fund, and the functions of the management body under Art. 270, para. 2, and Art. 272, para. 4 of the Commercial Law shall be performed by the management company.

Chapter Four

ACTIVITIES RELATED TO THE ISSUE (SALE) AND REDEMPTION OF SHARES IN AN OPEN-END INVESTMENT COMPANY AND OF UNITS OF A CONTRACTUAL FUND

Art. 27. (1) Any activities related to the issue (sale) and redemption of shares in an open-end investment company and of units of a contractual fund shall be carried out via a management company and the requirements for investment intermediaries shall apply accordingly.

(2) (Am. – SG, iss. 106 in 2006) Issue (sale) of shares in an open-end investment company and of units of a contractual fund may be carried out only if the issue price of the shares/ units is paid in full within the set for that terms.

Art. 28. (1) Any materials containing an invitation to buy shares in an open-end investment company or of units of a contractual fund must state the latest date of updating the prospectus and the place, time and manner of familiarization with it.

(2) (Am. – SG, iss. 27 in 2007) Upon purchase of shares in an open-end investment company or of units of a contractual fund, the management company shall provide the investor with an opportunity to get familiar with an updated version of the prospectus of the company or, respectively, of the fund.

(3) The simplified prospectus shall be supplied by the investment company or by the management company free of charge to each subscriber for shares or units prior to conclusion of the transaction in shares or units.

(4) Upon request by a subscriber for shares or units, a full prospectus shall likewise be supplied free of charge, as well as the latest published annual and quarterly financial statement.

Art. 29. (1) The issue price and redemption price of shares in an open-end investment company or, respectively, of units of a contractual fund, shall be calculated by the depository bank or by the management company under the supervision of the depository bank.

(2) In the cases where the issue price and the redemption price of shares in an open-end investment company or, respectively, of units of a contractual fund, are calculated by the management company, it shall be obligated to provide to the depository bank all documents related to the calculation of the issue price and the redemption price.

(3) In case the depository bank has found out any breaches or errors in the calculation of the issue price and the redemption price of the shares or, respectively, the units, it shall notify the management company and make corrections in the issue price and the redemption price.

(4) (Am. – SG, iss. 106 in 2006, suppl. iss. 27 in 2007) The obligations of the management company and the depository bank under para 2 and 3 shall be performed before the announcement of the issue price and the redemption price within the time limit set for this purpose in the asset valuation rules.

Art. 30. (1) The issue price and redemption price of shares in an open-end investment company and, respectively, of units of a contractual fund, shall be based on the company's or, respectively, the fund's net asset value as of the date of its determination.

(2) Any expenses under Art. 193, para. 2 and 3 of the LPOS, if the Articles of Association of the open-end investment company or, respectively, the contractual fund rules, make provisions for such expenses, must be stated expressly upon declaring the issue price and the redemption price of shares in the open-end investment company or, respectively, of units of the contractual fund.

Art. 31. (1) If there is a change in the amount of costs for the issue (sale) and redemption of shares in an open-end investment company or, respectively, of units of a contractual fund, the investment company or, respectively, the management company shall be obligated to notify the shareholders or, respectively, the unit-holders, by a notice in at least one national daily newspaper, upon entry of the changes in the Commercial Register or, respectively, immediately upon approval of the said changes under Art. 192, para. 4 of the LPOS.

(2) The obligation under para. 1 shall be met not later than on the day next succeeding the learning of the entry or, respectively, the approval of the changes.

Art. 32. (1) Any order to buy or redeem shares in an open-end investment company or, respectively, units of a contractual fund, must contain the relevant essential elements as set forth in Supplements No. 1 and No. 2 to the Ordinance.

(2) (Am. – SG, iss. 29 in 2008) Making of orders under para. 1 by proxy shall be admissible only upon presentation of a notarized power of attorney containing representative authority to carry out any managerial or disposition acts with financial instruments. The requirement under the preceding sentence shall not apply to orders made via an investment intermediary.

(3) (Am. – SG, iss. 27 in 2007) The management company shall keep in its records the original power of attorney under para. 2 or a notarized transcript of the said power of attorney.

Art. 33. (1) Any order to buy shares in an open-end investment company or, respectively, units of a contractual fund, shall be executed within 7 days of the date of the filing of the order.

(2) Any order to redeem shares in an open-end investment company or, respectively, units of a contractual fund, shall be executed within the time limit under Art. 193, para. 5 of the LPOS.

(3) (Am. – SG, iss. 82 in 2007) The management company must at earliest opportunity, but not later than the end of the first working day following the order execution, at its discretion:

1. provide the person that made the order with a written confirmation of its execution;
2. send to the person that made the order a confirmation of its execution on paper or another lasting medium, for which the following requirements were met:
 - a) the provision of the information on other lasting medium is appropriate with a view to the existing or forthcoming relations with the client;
 - b) the client explicitly preferred that way of information provision over its provision on paper medium.

(4) (New – SG, iss. 82 in 2007) The provision of information by electronic means of communication shall be considered appropriate with a view to the existing or forthcoming relations with clients, if there are data that the client has a regular access to Internet. It shall be considered that the client has a regular access to Internet, if he has provided an e-mail address for the needs of the established relations with the management company.

(5) (Prev. item 4 – SG, iss. 82 in 2007) Upon an order to buy or redeem shares in an open-end investment company, the confirmation by the management company under para. 3 must also state the total number of shares held by the person in whose name the shares were acquired or from which/whom the shares were redeemed, as well as the number of the investment company's shares outstanding on the date of acquisition, or respectively, redemption.

Art. 34. (1) Any order to buy or redeem shares in an open-end investment company or of units of a contractual fund shall become irrevocable as of the most recent date of determining the issue price or, respectively, of the redemption price in compliance with the terms and conditions of para. 2 and 3.

(2) (Am. – SG, iss. 27 in 2007) The management company shall execute the order to buy shares in an open-end investment company up to the amount of the sum of money deposited by the investor, which shall be divided by the determined price per share based on the issue price for the most recent day following the day on which the order was made, and the number of shares purchased shall be rounded down to the nearest whole number. The investor shall be reimbursed for the remaining amount within 3 days of the date on which the order was executed.

(3) Para. 2 shall not apply upon sale of units of a contractual fund, unless the contractual fund issues fractional units.

Art. 35. (1) (Am. – SG, iss. 106 in 2006; iss. 82 in 2007) Upon sale or redemption of shares in an open-end investment company or, respectively, of units of a contractual fund by mail, Internet or an electronic network or by any other remote means of communication with investors, the management company must prepare a document by the end of the business day with contents as set out in Art. 34 para. 4 of Ordinance No. 38 of 2007 on the Requirements for the Activities of Investment Intermediaries (*State Gazette* No. 67 of 2007).

(2) Any order to buy and redeem shares may be made by means of an electronic document signed with universal or improved electronic signature, with minimum contents as provided for in Supplement No. 1 and Supplement No. 2. In such cases para 1 shall not apply.

Art. 36. The management company must deposit any funds received in cash for the issue (sale) of shares in an open-end investment company or, respectively, of units of a contractual fund, on a bank account opened expressly for this purpose with the investment company's or, respectively, the contractual fund's depository bank not later than by the end of the next business day.

Art. 37 (1) In the cases under Art. 193, para. 8 of the LPOS, the investment company must order the management company to suspend the redemption and specify the period of suspension.

(2) (Am. – SG, iss. 106 in 2006) Along with the order to suspend the redemption, the open-end investment company shall order the management company to suspend the issue (sale) of shares in the company for the period of the suspension and shall notify the Commission, the depository bank and the regulated market on which its shares are traded of that suspension.

(3) (Am. – SG, iss. 106 in 2006; suppl. iss. 29 in 2008) In case the period under para. 1 has to be extended, the open-end investment company must notify the Commission, the management company, the depository bank and the regulated market on which its shares are traded of that extension under the procedure of Art. 193, para. 9 of the LPOS not later than 7 days prior to the expiration of the period initially set by it. If the period of suspension is less than seven days, including in the cases when the redemption is suspended due to technical reasons, the investment company shall make the notifications according to the previous sentence by the end of the working day proceeding the date on which the redemption must have been resumed.

(4) (Am. – SG, iss. 106 in 2006) Any order made after the last announcement of the redemption price prior to the starting date of the suspension period shall not be executed. The management company shall refund the amounts of the investors that have made orders for the purchase of shares or units, on their bank account, or at the cash-desk of the company by the end of the working day following the day of filing the orders. Article 34 para 1 shall not apply.

(5) The issue price and the redemption price following the resumption of the redemption must be announced on the day preceding the resumption. Any subsequent determination and announcement of the issue price and the redemption price shall be effected on the days mentioned in the prospectus.

(6) (Am. – SG, iss. 106 in 2006) In the cases under Art, 193, para. 8 of the LPOS, the management company which manages a contractual fund shall suspend the redemption of units of the fund, ordering the persons to whom it has delegated the performance of activities for the sale and redemption of the fund's units, to cease the acceptance of orders for sale and redemption of units for the period of suspension, and shall notify the Commission, the

depository bank and the regulated market on which the units are traded of that suspension. Para. 3, 4 and 5 shall apply, *mutatis mutandis*.

Art. 38. (Canceled – SG, iss. 106 in 2006).

Art. 39. (1) The management body of the investment company shall send an invitation under Art. 115, para. 2 of the LPOS to the management company immediately after its publication.

(2) (Am. – SG, iss. 106 in 2006) The management company must announce the final date for concluding transactions in shares in the open-end investment company as a result of which the acquirer may exercise his/her/its voting right at the general meeting of shareholders.

(3) (Am. – SG, iss. 106 in 2006) The management company must announce the final date for concluding transactions in shares in the open-end investment company, or in units of contractual funds respectively, as a result of which the acquirer is entitled to receive the dividend on the shares, respectively the income on the units, as voted at the investment company's general shareholders meeting, or by the management company's competent body.

(4) (Am. – SG, iss. 106 in 2006) The management company shall make the announcement under para. 2 and 3 in an appropriate way in all places where the issue (sale) and redemption of shares in the open-end investment company or of units of a contractual fund is implemented.

Art. 40. (1) Where an error has been made in calculating the net asset value per share resulting in an increase in the issue price or in a decrease in the redemption price of more than 0.5 per cent of the net asset value per share, the depository bank or the management company must reimburse shareholder that has bought shares at an increased issue price or, respectively, that has redeemed the shares thereof at a lower price, for the difference out of the investment company's funds within 10 days of the time when the error was detected, provided that the shareholder acted in good faith.

(2) Where an error has been made in calculating the net asset value per share resulting in a decrease in the issue price or in an increase in the redemption price of more than 0.5 per cent of the net asset value per share, the depository bank or the management company must reimburse the investment company for the amount due for their own account within 10 days of the time when the error was detected.

(3) Where the error made in calculating the net asset value per share does not exceed 0.5 per cent of the net asset value per share, the depository bank or the management company shall take such measures as are needed to avoid any errors in calculating the net asset value per share and to punish the persons at fault.

(4) The provisions of para. 1-3 shall apply, *mutatis mutandis*, in case of errors made in the calculation of the net asset value per unit of a contractual fund.

(5) Upon calculation of the net asset value per share in an investment company or, respectively, per unit of a contractual fund, the issue price or the redemption price shall be rounded down to the fourth decimal place.

Chapter Five

KEEPING AND STORING OF ACCOUNTS

Art. 41. (1) An investment company must store all documentation and information related to its activities, including:

1. the Articles of Association of the company and the other instruments of incorporation and organization, any amendments and supplements to them, the court judgments on registration of the company and on changes in the company's record;
 2. the minutes of the general meeting of shareholders in the company, numbered and arranged in chronological order and in a form precluding any deletion or replacement of any pages or certain parts of them;
 3. the minutes of the meetings of the management and supervisory bodies of the company in a form precluding any deletion or replacement of any pages or certain parts of them;
 4. the prospectus for public offering of shares in the company, as well as all updates of it, applicable to an open-end investment company;
 5. the accounting documents;
 6. any incoming and outgoing correspondence, arranged in a way precluding any deletion or replacement of any pages or certain parts of them;
 7. a list updated as of the last day of each month of the persons connected, within the meaning of § 1, item 12 of the Additional Provision of the LPOS, with:
 - (a) the investment company and the members of its management or supervisory body;
 - (b) the management company and the members of its management or supervisory body, as well as the grounds for connection;
 8. (Am. – SG, iss. 106 in 2006; iss. 82 in 2007) the agreements with the management company or with any person under Art. 12 of the MFIA and with the depository bank;
 9. the agreements with the investment intermediaries via which the investment transactions are concluded and executed;
 10. (Am. – SG, iss. 106 in 2006) the asset valuation rules, the rules of risk management, the rules of personal transactions and the internal organization rules;
 11. any information and documents signed by the persons authorized under the agreement with the management company and/or the agreement with the depository bank to determine the net asset value per share, the issue price and the redemption price of shares in an open-end investment company;
 12. the monthly balance sheets;
 13. the reports by the management company and by the depository bank;
 14. the promotional materials and publications related to the issue (sale) of shares in the investment company;
- (2) A management company, which manages a contractual fund, must store all documentation and information related to the activities of the fund, including:
1. the contractual fund rules;
 2. the minutes of the meetings of the management and supervisory bodies of the management company containing decisions concerning the activities of the fund, in a form precluding any deletion or replacement of any pages or certain parts of them;
 3. the relevant documents and information under para. 1, item 4–14.
- (3) The documents shall be stored under the procedure for storing public records, and accounting information and documentation shall be stored for the periods under Art. 42 of the

Accountancy Act, and the rest of the documents and information shall be stored for a period of 5 years.

(4) Any documentation under para. 1 may also be stored by the management company or by the depository bank, and any documentation under para. 2 by the depository bank as well, in accordance with the agreement concluded between them.

(5) Where an investment company stores any documentation under para. 1, it shall submit copies of the documents under para. 1, items 1, 4, 7 – 11 to the management company and to the depository bank. Where the documentation under para. 2 is stored by the management company, it shall provide the depository bank with copies of the documents under para. 2, item 1 and the relevant documents under para. 1, items 4, 7-11.

(6) The management company shall deliver to the investment company the documents under para. 1, items 5 and 11 after the close of the financial year and the preparation and certification of the annual financial statement of the investment company.

(7) The management company and the members of the management and supervisory body of the investment company and of the management company shall be obligated to notify the investment company of the existence of any connection, within the meaning of § 1, item 12 of the Additional Provision of the LPOS, within 3 days of the occurrence of the relevant ground.

Art. 42. (1) (Am. – SG, iss. 82 in 2007) The management body of an investment company shall review at least once a month any report under Art. 41, para. 1, item 13 and all documents and information related to the implementation of the agreements with the management company or with a person under Art. 12 of the MFIA and with the depository bank.

(2) (Am. – SG, iss. 82 in 2007) In meeting the obligation under para. 1, the management body of the investment company may request from the management company or the person under Art. 12 of the MFIA and the depository bank additional documents, information and explanations, including information about the net asset value at a given time and the number of shares issued (sold) and shares redeemed.

(3) (Am. – SG, iss. 82 in 2007) The management body of an investment company must notify the Commission without delay in the event of any failure by the management company, the person under Art. 12 of the MFIA or the depository bank to provide the additional documents, information and explanations that have been requested.

(4) The management company, which manages a contractual fund, shall review at least once a month any report by the depository bank of the fund and all documents related to the implementation of the depository services agreement, and may request from the depository bank additional documents, information and explanations. Upon failure to submit the additional documents, information and explanations as requested, the management company shall notify the Commission without delay.

Art. 43. (Am. – SG, iss. 106 in 2006) (1) (Am. – SG, iss. 82 in 2007) The management body of the investment company must approve any expenses arising from the activities of the investment company on a monthly basis with a view to exercising control over their amount in consistence with its instruments of incorporation and the agreed in the agreements with the management company or the person under Art. 12 of the MFIA, with the depository bank and with the investment intermediaries, through which the investment transactions are concluded and executed.

(2) (Canceled – SG, iss. 82 in 2007).

Art. 44. The investment company must pay promptly the Commission the annual fee for processing the mandatory periodic and current information, as well as for exercising general supervision according to the Tariff of Fees Collected by the Commission.

Chapter Six

OTHER REQUIREMENTS FOR THE ACTIVITIES OF INVESTMENT COMPANIES AND CONTRACTUAL FUNDS

Part I

Requirements for the Securities, Money Market Instruments and the Other Assets under Art. 195 of LPOS and for the Asset and Liability Structure and Liquidity of Investment Companies and Contractual Funds

(Title suppl. – SG, iss. 29 in 2008)

Art. 44a. (New – SG, iss. 29 in 2008) (1) The securities in which the investment company and contractual fund may invest, must satisfy the following conditions:

1. the losses which the investment company and the contractual fund may incur as a result of possessing them shall be limited to the amount of the price paid for them;
2. their liquidity shall not affect the ability of the investment company and the contractual fund, on request of the shareholders and unit-holders, to redeem their shares and units;
3. they have reliable valuation:
 - a) the securities admitted to, or traded on a regulated market under Art. 195 para 1 item 1-4 of the LPOS have accurate, reliable and regularly fixed prices which are provided by the market or by independent from the issuer valuation systems;
 - b) the securities under Art. 195 para 2 of the LPOS have periodic valuation, made on the basis of information provided by the issuer, or on the basis of competent investment research;
4. there is appropriate information with regard to them:
 - a) for the securities admitted to, or traded on a regulated market under Art. 195 para 1 item 1-4 of the LPOS, accurate and detailed information is provided regularly to the market about the security, or where applicable, about the securities portfolio;
 - b) for the securities under Art. 195 para 2 of the LPOS, accurate information is provided regularly to the investment company and the contractual fund about the security, or where applicable, about the securities portfolio;
5. they are transferable;
6. their acquisition is in consistence with the investment objectives and/ or the investment policy of the investment company and the contractual fund;
7. the risk associated with them is adequately established in the rules of risk management of the investment company and the contractual fund.

(2) It shall be considered that the securities under Art. 195 para 1 item 1-3 of the LPOS satisfy the requirements of para 1 item 2 and 5, if the investment company and the contractual fund have no information leading to other conclusion.

(3) For securities under Art. 195 of the LPOS shall also be considered the shares/ units of an investment company, contractual fund or unit trust of closed-end type, if:

1. they meet the conditions of para 1 and 2;
2. the investment companies and unit trusts are subject to corporate governance rules applicable to the companies, and the contractual funds are subject of corporate governance rules equivalent to those applicable to the companies;
3. the company which manages the contractual fund, or the company which manages the assets of the investment company and the unit trust, if any, is subject of national regulation with the purpose of investor protection.

(4) For securities under Art. 195 of the LPOS shall be also considered the securities which meet the conditions of para 1 and 2 and are guaranteed by, or connected with the performance of other assets, which may be different from those under Art. 195 para 1 of the LPOS.

(5) Where the securities under para 4 contain an imbedded derivative instrument, with respect to the imbedded derivative instrument shall apply Art. 197b para 2-5 of the LPOS.

Art. 44b. (New – SG, iss. 29 in 2008) (1) The money market instruments in which the investment company and the contractual fund may invest, shall be considered regularly traded on the money market if they satisfy one of the following conditions:

1. they have maturity at issuance up to 397 days incl.;
2. they have residual term till maturity of 397 days, incl.;
3. they are subject to regular adjustments of the yield under the conditions of the money market at least once in every 397 days;
4. their risk profile, including in relation to their credit risk and the risk associated with interest rate, conforms to the risk profile of financial instruments with maturity according to item 1 and 2 with adjustments of the yield according to item 3.

(2) The money market instruments in which the investment company and the contractual fund may invest, shall be liquid instruments of the money market, which may be sold at limited costs and within adequately short time period, in view of the obligation of the investment company and the contractual fund on request of the shareholders and the unitholders to redeem their shares and units.

(3) The money market instruments in which the investment company and the contractual fund may invest, shall be with value which may be determined easily at any time, if for them there are accurate and reliable valuation systems which satisfy the following requirements:

1. they allow the investment company and the contractual fund to calculate their net asset value in accordance with the value at which the instrument included in their portfolio may be exchanged between well informed and having expressed assent parties under the conditions of normal competition;
2. they are based on market data or on valuation models, including impaired values-based systems.

(4) It shall be considered that the money market instruments under Art. 195 para 1 item 1-3 of the LPOS satisfy the requirements of para 2 and 3 if the investment company and the contractual fund have no information leading to other conclusion.

(5) The money market instruments under Art. 195 para 1 item 8 of the LPOS shall be freely transferable and there shall be appropriate information about them, including information necessary to make proper assessment of the credit risks associated with investment in them.

(6) For the money market instruments under Art. 195 para 1 item 8, letters “b” and “d” of the LPOS, for the money market instruments under Art. 195 para 1 item 8 letter “a” of the LPOS, which are issued by regional or local bodies in the Republic of Bulgaria, or other Member State, or by a public international organization, in which at least one Member State is a member, but which are not guaranteed by a Member State, as well as in the cases of a federal state, which is a Member State – by one of the members of the federal state, there shall exist appropriate information under para 5 if:

1. there is information on the issue or the program of issuance as well as on the legal and financial state of the issuer before the issue of the money market instrument;
2. the updating of the information according to item 1 is made at least once yearly and upon any significant event;
3. the verification of the information according to item 1 is carried out by appropriate qualified third parties, which are not subject of instructions by the issuer;
4. there are reliable statistical data about the issue or about the programme of issuance.

(7) For the money market instruments under Art. 195 para 1 item 8 point “c” of the LPOS, there shall be available appropriate information under para 5 if:

1. there is information on the issue or the programme of issuance, or on the legal or financial state of the issuer before the issue of the money market instrument;
2. the updating of the information of letter “a” is made at least once yearly and upon any significant event;
3. reliable data about the issue or about the programme of issuance, or other data allowing the making of proper assessment of the credit risks associated with the investment in such instruments.

(8) For the money market instruments under Art. 195 para 1 item 8 letter “a” of the LPOS, other than those listed in para 6 and those issued by the European Central Bank, by the Bulgarian National Bank or by a central bank of other Member State, the appropriate information under para 5 shall be information on the issue or the programme of issuance, or on the legal and financial state of the issuer before the issue of the money market instrument.

(9) For the person under Art. 195 para 1 item 8 letter “a” of the LPOS, which observes rules approved by the relevant competent authority, guaranteeing that it satisfies as strict requirements as the requirements provided for by the *acquis communautaire*, one of the following conditions must exist:

1. to be with a seat in a state belonging to the European Economic Area;
2. to be with a seat in a state – member of the Organization for Economic Cooperation and Development, belonging to the Group of Ten;
3. to be with awarded credit rating not less than investment;
4. on the basis of comprehensive analysis of the person, it can be proved that the requirements which it meets are as strict as the requirements laid down in the *acquis communautaire*.

(10) The companies for securitization under Art. 195 para 1 item 8 letter “d”, sub letter “bb” of the LPOS are organizations of corporate, trust or contractual nature, established for the purposes of the securitization.

(11) Where the money market instruments under Art. 195 of the LPOS contain an imbedded derivative instrument, with regard to the imbedded derivative instrument shall apply Art. 197b para 2-5 of the LPOS.

Art. 44c. (New – SG, iss. 29 in 2008) (1) The derivative financial instruments under Art. 195 para 1 item 7 of the LPOS shall be liquid if they satisfy the following conditions:

1. their underlying assets consist of one or more:
 - a) assets listed under Art. 195 para 1 of the LPOS, including financial instruments which possess one or more characteristics of these assets;
 - b) interest rates;
 - c) foreign exchange or foreign exchange rates;
 - d) financial indexes;
2. they allow the transfer of the underlying asset’s credit risk regardless of the other risks associated with the asset;
3. have not as a result the delivery or transfer, including by cash payment of assets, other than those under Art. 195 para 1 and 2 of the LPOS;
4. the risks which they carry are clearly identified by the risk management rules of the investment company and the contractual fund as well as by the internal control mechanisms in case of risk from asymmetry of the information between the investment company and the contractual fund on one side, and the counter party to a derivative financial instrument for credit risk transfer, on the other, arising from potential access of the counter party to internal information about the undertakings whose assets are underlying for the derivative financial instrument for credit risk transfer.

(2) The derivative financial instruments under Art. 195 para 1 item 7 letter “b” sub letter “bb” of the LPOS may be sold, liquidated or closed by an off-set transaction at fair value, if they can be sold, liquidated or closed by off-set transaction at amount for which the derivative financial instrument may be exchanged, and the liability on it paid between well informed and having expressed their consent parties in a transactions concluded in the conditions of normal competition.

(3) The derivative financial instruments under Art. 195 para 1 item 7 letter “b” sub letter “bb” of the LPOS may be valued at generally accepted and subject to examination methods, if they can be given valuation by the investment company and the contractual fund, corresponding to the fair value according para 2, which is not based only on market quotes by the counter party and meets the following conditions:

1. The basis of valuation is a reliable, current market price of the instrument, and if no such price is available, the basis of valuation is a model for price determination, which uses appropriate generally accepted methodology;
2. The examination of the valuation is made:
 - a) by an appropriate third party, independent of the counter party to the transaction with the derivative financial instrument, traded on off-exchange markets, which makes the examinations sufficiently frequently and in a manner which allows the investment company and the contractual fund to verify the correctness of the valuation; or

b) by a department in the investment company and the contractual fund which has the required for that human and technical resources and is independent of the department which manages the assets.

Art. 44d. (New – SG, iss. 29 in 2008) (1) The investment company and the contractual fund may invest in derivative financial instruments with underlying asset financial indexes under Art. 195 para 1 item 7 point “a” of the LPOS, if the financial indexes meet the following conditions:

1. they are sufficiently diversified:

a) the index to be composed in such way that the price movement and the trade activity with one index component not to influence significantly the whole index;

b) in case that the index is composed of assets under Art. 195 para 1 of the LPOS, its composition to be diversified at least as the composition of the indexes recognized by the Deputy Chairperson in charge of Investment Activity Supervision Division, hereinafter referred to as “Deputy Chairperson”;

c) in case that the index is composed of assets other than those under Art. 195 para 1 of the LPOS, its composition is to be diversified in a way equivalent to that of the indexes recognized by the Deputy Chairperson;

2. they are an adequate benchmark (generally accepted standard) for the market to which they relate:

a) the index measures a representative group of assets in an appropriate way;

b) the index is reviewed and balanced periodically according to publicly announced criteria, with the purpose to continue to reflect the market adequately;

c) the assets of which the index is composed are sufficiently liquid, which allows the users to reproduce the index, if necessary;

3. they are published in an appropriate way:

a) the process of publishing is on the basis of reliable procedures for gathering of the prices, calculation and subsequent publishing of the index value, including procedures for valuation of the components which do not have market price;

b) detailed information is provided in due time about the methodology for the index calculation, methodologies for the index balancing, any changes in the index or the existence of operating difficulties in the provision of timely and accurate information.

(2) Where the composition of the assets in the index, which is an underlying asset of a derivative financial instrument under Art. 195 para 1 item 7 letter “a” of the LPOS does not meet the requirements of para 1, but meets the requirements of Art. 44c para 1 item 1 letters “a” – “c”, such derivative financial instrument shall be considered to be a derivative financial instrument with a base asset combination of the assets under Art. 44c para 1 item 1, letters “a” – “c”.

(3) The Deputy Chairperson shall determine which indexes are recognized according the criteria laid down in para 1.

Art. 45. (1) An investment company must maintain an asset and liability structure which allows it to carry out its activities without any hindrance, promptly settling its liabilities at a reasonable price without having to hastily sell any earning assets.

(2) A management company, which has been entrusted with the management of the activities of an investment company or a contractual fund, must comply with the requirement under para. 1 and must not expose the investment company or the contractual fund to any excessive market and credit risks.

Art. 46. (1) The investment company shall adopt rules for maintenance and management of its liquid assets which shall specify the management method and principles as well as the rights and obligations of persons responsible for the management, accounting and internal supervision over liquidity. The rules shall be submitted to the Commission within 7 days of their adoption or, respectively, their modification.

(2) If the rules submitted under para. 1 do not guarantee the maintenance of minimum liquid assets, the Deputy Chairperson shall issue mandatory directions for modification of the rules.

(3) Any information about the asset valuation rules and any other data serving as a basis for reporting liquidity shall be stored under the terms and procedure of Chapter Six of the Accountancy Act.

Art. 47. (Am. – SG, iss. 29 in 2008) (1) The investment company must constantly monitor its liquidity. When it ascertains that its liquidity no longer satisfies the requirements of the Ordinance, the company shall latest on the next working day notify the Commission of it, stating the reasons for the violation and within a 7 day period shall propose measures to bring its liquidity in conformity with the requirements of the Ordinance. The investment company shall bring its liquidity in compliance with the requirements of the Ordinance within a 30-day period of establishment of the violation.

(2) Where the company brings its liquidity in compliance with the requirements of the Ordinance before the expiration of the 7-day period, it shall inform the Commission of it latest on the following working day. In this case the requirement to propose measures under para 1 shall not apply.

Art. 48. (1) The investment company or the management company, acting on behalf of the investment company or, respectively, the management company, acting on behalf of the contractual fund, must submit a quarterly liquidity report to the Commission not later than the 30th day of the month following the quarter, according to Supplement No. 3.

(2) Any liquidity report for the fourth quarter shall be submitted to the Commission within the time limit under para. 1, and any annual report shall be submitted within the time limit under Art. 37 of the Accountancy Act.

(3) (Am. – SG, iss. 106 in 2006) The investment company or the management company acting on behalf of the investment company or, respectively, the management company acting on behalf of the contractual fund, shall be obligated to submit to the Commission not later than the 10th day of the month following the reporting month, a monthly balance sheet and information on:

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

2. the hedging transactions as follows:

a) number, price and total amount of risk asset that is hedged;

b) type of financial derivative instrument, number, price, total amount and amount of the base asset;

c) state and market on which the hedging transaction is concluded;

d) overall risk position and overall hedge position of the investment company, or the contractual fund.

(4) (Canceled – SG, iss. 82 in 2007).

(5) (New – SG, iss. 29 in 2008) The information under para 3 item 1 and 2 shall not be disclosed to the public and the same shall serve only for the supervisory purposes of the Commission.

Art. 49. The Deputy Chairperson may request from the investment company additional information and explanations in respect of the liquidity report, including analytical notes for each line item.

Art. 50. Officials of the Commission shall carry out inspections, including on-site inspections, as to whether the investment company complies with the requirements to maintain minimum liquid assets .

Art. 51. (1) (Am. and suppl. – SG, iss. 106 in 2006; am. iss. 29 in 2008) The investment company must at any time have the following minimum liquid assets:

1. cash, securities, money market instruments under Art. 195 para 1 item 1-3 of the LPOS and units of collective investment schemes under Art. 195 para 1 item 5 of the LPOS with market price, money market instruments under Art. 195 para 1 item 8 of the LPOS and short-term receivables: in the amount of not less than 100 per cent of the weighted current liabilities of the company;

2. cash, securities and money market instruments, issued by the Republic of Bulgaria or other Member State and money market instruments under Art. 195 para 1 item 8 point “a” of the LPOS - in the amount of not less than 50 per cent of the weighted current liabilities of a closed-end investment company and not less than 70 per cent of the weighted current liabilities of an open-end investment company, with the exception of the liabilities related to participation in the increase of public company’s capital.

(2) The investment company shall calculate its weighted current liabilities as a sum of the amount of its current liabilities at net book value, divided according to their residual life into three groups multiplied by the adjusting weights which decrease as the residual life of the liabilities increases, as follows:

1. with a residual life of up to 1 month – a weight of 1.00;
2. with a residual life of 1 to 3 months – a weight of 0.50;
3. with a residual life of 3 months to 1 year – a weight of 0.25.

(3) The maximum residual life of an investment company’s current liabilities when divided into the relevant groups, unless otherwise provided for by the law or by their nature, shall be as follows:

1. amounts owed to the Exchequer, for social security and to own employees – under para. 2, item 1;
2. remuneration of the management company, of the members of the management and supervisory body of the company and of the depository bank – under para. 2, item 1, and any remaining liabilities – under para. 2, item 3;
3. amounts owed on loans - in accordance with the terms and conditions of the lending agreement.

(4) (Am. – SG, iss. 29 in 2008) Where any assets have been pledged or where there is any other restriction on their use by the investment company, they shall not be included in the liquid assets under para. 1.

(5) (Canceled – SG, iss. 29 in 2008).

(6) (Canceled – SG, iss. 29 in 2008).

Art. 52. (Am. – SG, iss. 106 in 2006; iss. 29 in 2008) An open-end investment company's asset and liability structure must also satisfy the following requirements:

1. not less than 70 per cent of the investments in assets under Art. 195 para 1 of the LPOS must be in assets which have a market price;

2. not less than 10 per cent of the investment company's assets must be cash, securities, money market instruments or other means of payment, as follows:

a) securities and money market instruments issued by the Republic of Bulgaria;

b) securities and money market instruments issued by the USA, Canada, Japan, Switzerland, an EU Member State, or other state which belongs to the European Economic Area;

c) cash in currency of Great Britain, the USA, Switzerland, Japan and in Euro.

Art. 53. (Am. – SG, iss. 29 in 2008) The investment company's cash may not be less than 5 per cent of the company's assets.

Art. 54. An open-end investment company or, respectively, a management company, shall be obligated to notify the Commission within 7 days in case the net asset value of the investment company or, respectively, of the contractual fund, falls below 110 per cent of the minimum amount established in Art. 166, para. 1 or, respectively, para. 3 of the LPOS.

Art. 55. The provisions of Art. 45, para. 1 and Art. 46 - 53 shall apply, *mutatis mutandis*, to the asset and liability structure and the liquidity of contractual funds.

Part II

Requirements for the Valuation of Investment Companies' and Contractual Funds' Portfolios

Art. 56. (1) The asset valuation rules of an investment company or, respectively, of a contractual fund, containing the principles and methods of asset valuation as well as the organization system of these operations, shall be based on:

1. the use of a unified and consistent system of valuation of assets in the portfolio, of decision making and supervision;

2. a system of gathering information related to the determination of the net asset value – sources of information and types;

3. rules related to the avoidance of any conflict of interest and to the provision of protection against any disclosure of inside information;

4. taking minutes of the discussions on the determination of the net asset value and attaching the relevant documents to the minutes;

5. hardware and software requirements in determining net asset value;

6. a system of storing and protecting any documentation related to the determination of net asset value on a paper-based and on a magnetic data storage medium.

Art. 57. The valuation of the assets of an investment company or, respectively, of a contractual fund, shall be performed:

1. upon initial acquisition (recognition): at acquisition cost, including the transaction costs;
2. upon subsequent valuation: under the relevant procedure and manner determined in this Ordinance.

Art. 58. (Am. – SG, iss. 29 in 2008) The valuation of assets of the investment company or, respectively, of the contractual fund, hereinafter referred to as “subsequent valuation,” shall be performed for each asset, including those that were initially recognized as of the date of valuation.

Art. 59. (Am. – SG, iss. 29 in 2008) (1) A subsequent valuation of securities and money market instruments issued by the Republic of Bulgaria in the country shall be performed on the basis of the arithmetic mean of the purchase prices for the current business day, quoted by not fewer than two primary dealers of government securities. Absent quotations by primary dealers, the Discounted Net Cash Flow Method shall be applied.

(2) (Am. – SG, iss. 29 in 2008) A subsequent valuation of the securities and money market instruments issued by the Republic of Bulgaria abroad as well as the issued by other Member State securities and money market instruments shall be made:

a) (Am. – SG, iss. 29 in 2008) at the purchase price upon the close of the market in the day of valuation, as announced in an electronic price information system;

b) (Am. – SG, iss. 27 in 2007; iss. 29 in 2008) in case that the market has not closed by 15.00 hrs in the day of valuation – at the purchase price upon the close of the market for the last business day, as announced in an electronic price information system;

c) (Am. – SG, iss. 29 in 2008) in case that the foreign market does not operate in the day of valuation - at the purchase price upon the close of the market for the last business day, as announced in an electronic price information system;

(3) (Am. – SG, iss. 29 in 2008) Should it be impossible to apply the manners of valuation under para. 1 and 2, the Comparable Prices Method for financial instruments of similar conditions of payment and maturity or other generally accepted methods, determined in the asset valuation rules, shall be employed.

Art. 60. (Am. – SG, iss. 106 in 2006) (1) (Am. – SG, iss. 29 in 2008) A subsequent valuation of any Bulgarian and foreign shares and rights admitted to or traded on a regulated market in the Republic of Bulgaria, as well as Bulgarian shares and rights admitted to or traded on a regulated market in Member States, shall be performed at the weighted average price of the transactions concluded in the said shares and rights for the current business day, as announced by the trading system or in the stock exchange bulletin, if the volume of the transactions concluded therein for the day is not less than 0.02 per cent of the volume of the relevant issue.

(2) Should it be impossible to determine a price under the procedure of para. 1, the price of the shares or, respectively, of the rights, shall be determined as an arithmetic mean of the highest purchase price of the orders which are valid at the time of the close of the regulated market in the current day, and the weighted average price of the transactions concluded in the relevant securities for the same day. The price shall be determined under this procedure solely in case any transactions have been concluded and any orders with a purchase price have been entered.

(3) (Am. – SG, iss. 27 in 2007; iss. 82 in 2007; iss. 29 in 2008) In case that para 2 may not be applied, the price of the shares, or the rights, shall be the weighted average price of the

concluded with them transactions for the nearest day in the last 30-day period preceding the date of valuation, for which there are concluded transactions.

(4) In case that the regulated market has not closed by 15.00 hrs, the subsequent valuation shall be made in the following way:

a) (Am. – SG, iss. 27 in 2007) at last price of concluded with them transaction for the preceding business day;

b) (Am. – SG, iss. 27 in 2007) if letter “a” may no be applied, the subsequent valuation shall be made at the last purchase price for the preceding business day.

(5) Should it be impossible to apply the manners of valuation under para. 1-4, as well as for the shares which are not traded on regulated markets, the subsequent valuation shall be performed according to the following methods: Discounted Net Cash Flow Method, Assets Net Book Value Method, Analogue Companies Price-Earnings Ratio Method and other generally recognized methods. The selected method or combination of methods, including the sequence of their use, shall be regulated in the Articles of Association of the investment company or, respectively, in the contractual fund rules and shall be described in detail in the asset valuation rules.

(6) Should it be impossible to apply the manners of valuation under para. 1-4, the valuation of rights shall be performed according to a suitable rights valuation model specified in the asset valuation rules.

(7) A subsequent valuation of any units of collective investment schemes under Art. 195 para 1 item 5 of the LPOS, including in the cases of suspension of redemption, shall be performed at the last quoted redemption price. A subsequent valuation of any units of a contractual fund which has not reached the minimum amount of the net asset value under Art. 166, para 3 of the LPOS shall be performed at the last set and announced issue price per unit, less the amount of the envisaged in the contractual fund’s rules costs of issue and redemption of one unit.

(8) A subsequent valuation of any derivative financial instruments shall be performed under para 1-4, and should it be impossible to apply that manner of valuation – according to a suitable derivative financial instruments valuation model specified in the asset valuation rules.

Art. 61. (1) (Am. – SG, iss. 106 in 2006; iss. 29 in 2008) A subsequent valuation of any Bulgarian and foreign bonds admitted to, or traded on a regulated market in the Republic of Bulgaria, as well as Bulgarian bonds admitted to or traded in a regulated market in Member States shall be performed at the weighted average price of the transactions concluded in the said bonds for the current business day, as announced by the trading system or in the stock exchange bulletin, if the volume of transactions concluded therein for the day is not less than 0,01 per cent of the volume of the relevant issue,

(2) (Am. – SG, iss. 106 in 2006; iss. 29 in 2008) Should it be impossible to determine a price under the procedure of para. 1, the price of the bonds shall be the weighted average price of the transactions concluded in them for the nearest day in the last 30-day period preceding the date of valuation, for which there are concluded transactions.

(3) (New – SG, iss. 106 in 2006; am. iss. 29 in 2008) In case that the regulated market has not closed by 15.00 hrs, the subsequent valuation shall be made under Art. 59 para 2 letter “b”, and where the regulated market does not operate in the day of valuation – under Art. 59 para 2 letter “c” accordingly.

(4) (Prev. para 3, am. – SG, iss, 106 in 2006) Should it be impossible to determine a price under the procedure of para. 1 - 3, as well as for bonds which are not traded on regulated markets, a subsequent valuation shall be performed according to the Discounted Cash Flow Method.

Art. 62. (Am. – SG, iss. 106 in 2006) (1) (Am. – SG, iss. 27 in 2007; iss. 29 in 2008) A subsequent valuation of Bulgarian and foreign securities, admitted to or traded on regularly operating, recognized and publicly accessible regulated markets abroad, shall be performed

1. for securities traded on regulated markets and stock exchange official markets according to para 1, which have closed by 15.00 hrs Bulgarian time on the day of valuation:

a) at the last price of a transaction concluded therein in the day of valuation;

b) (Am. – SG, iss. 27 in 2007) should it be impossible to apply the manner of valuation under letter “a”, the valuation shall be performed at purchase price at closure of the market on the day of the valuation, announced in electronic system for price information on securities;

c) should it be impossible to apply the manner of valuation under letter “b”, the valuation shall be performed at last price of a transaction concluded with them within the last 30-day period;

2. (Am. – SG, iss. 27 in 2007) for securities traded on regulated markets, which have not closed by 15.00 hrs Bulgarian time on the day of valuation:

a) at the last price of a transaction concluded therein on the respective market for the business day preceding the day of valuation;

b) should it be impossible to apply the manner of valuation under letter “a”, the valuation shall be performed at purchase price at closure of the market on the business day, preceding the day of the valuation, announced in electronic system for price information on securities;

c) should it be impossible to apply the manner of valuation under letter “b”, the valuation shall be performed at last price of a transaction concluded with them within the last 30-day period;

(2) Should it be impossible to apply the procedure of para. 1, the valuation shall be performed by a suitable valuation model, indicated in the asset valuation rules.

(3) (Am. – SG, iss. 29 in 2008) A subsequent valuation of any derivative financial instruments with underlying asset securities, admitted to, or traded on the regulated markets under para 1, shall be performed according to para. 1 and para. 2.

(4) (Canceled – SG, iss. 27 in 2007).

Art. 63. (1) (Am. – SG, iss. 29 in 2008) In the cases where trading on a regulated market is not carried out on business days for Bulgaria, the valuation valid for the day of the last trading session shall apply for a subsequent valuation of the securities, admitted to, or traded on a regulated market. Upon subsequent valuation of bonds under the procedure of the foregoing sentence, account of the interest accrued for the relevant days shall be taken as well.

(2) (Am. – SG, iss. 106 in 2006; iss. 27 in 2007) The rule under para. 1 shall not apply where trading sessions are not held on the regulated market for more than 5 business days. In such case the subsequent valuation shall be performed while applying Art. 60, para 5 and 6 and Art. 61 para 4.

(3) (New – SG, iss. 106 in 2006) The rule under para 1 shall also apply in the cases where a trading session is not carried out on a regulated market, due to a non-business day in the relevant country, which is a business day in the Republic of Bulgaria.

Art. 64. (Am. – SG, iss. 106 in 2006; iss. 29 in 2008) The term and sight deposits, cash in hand and short-term receivables shall be valued at the date of valuation as follows:

1. (Am. – SG, iss. 29 in 2008) the term deposits: at their nominal value and the accrued interest payable thereon according to the agreement;
2. the cash in hand: at nominal value;
3. (Am. – SG, iss. 29 in 2008) the sight deposits: at nominal value;
4. the short-term receivables of no fixed interest rate or income: at cost;
5. the short-term receivables of a fixed interest rate or income: at cost plus accrued interest or income payable according to the agreement.

Art. 64a. (New – SG, iss. 106 in 2006) The real properties owned by an open-end investment company shall be appraised at the end of each financial year, or upon occurrence of change with more than 5 per cent in the real properties price index or in the inflation index, determined by the National Statistical Institute.

Art. 64b. (New – SG, iss. 106 in 2006; am. iss. 29 in 2008) (1) Subsequent valuation of the money market instruments, admitted to or traded on a regulated market, shall be made under Art. 62 para 1.

(2) Should it be impossible to apply the valuation procedure under para 1, as well as for the money market instruments which are not traded, the valuation shall be made on the basis of nominal value, accrued interest and capital profit/ loss at the time of valuation, where the methodology for their calculation shall be determined in the rules of valuation of the net asset value of the investment company, or the contractual fund.

Art. 65. Any financial assets denominated in a foreign currency shall be recalculated in lev equivalent at the central exchange rate of the Bulgarian National Bank applicable at the day to which the valuation applies.

Art. 66. Valuation of the liabilities of an investment company or a contractual fund shall be performed in compliance with the applicable accounting standards, for determination of the net asset value of the company or fund.

Art. 67. The net asset value of an investment company or, respectively, of a contractual fund, shall be determined by subtracting the value of the liabilities from the value of the assets.

Art. 68. (1) In managing the operations of an investment company and when it has been assigned to calculate the issue price and the redemption price of shares in an investment company, as well as when calculating the issue price and the redemption price of units of a contractual fund, a management company must comply with the asset valuation rules.

(2) (Am. – SG, iss. 106 in 2006) The depository bank must ensure the value of a contractual fund's units to be calculated by the management company in compliance with the law and the rules of the managed contractual fund. In cases under para. 1 and in accordance with Art. 194, para. 4 of the LPOS, the depository bank must monitor compliance with the asset valuation rules of the collective investment schemes and closed-end investment companies by the management company.

(3) (Suppl. – SG, iss. 27 in 2007) Where assigned to it by a contract, the depository bank shall be obligated to calculate the issue price and the redemption price of shares in an investment

company or, respectively, of units of a contractual fund, in accordance with the asset valuation rules.

Part IIa

(New – SG, iss. 106 in 2006)

Risk Management

Art. 68a. (New – SG, iss. 106 in 2006) (1) An investment company, or a management company, which acts for the account of a contractual fund, shall work out and adopt internal rules of risk management with the purpose of continuous monitoring and assessment of the risk of each position and its impact on the risk profile of the overall portfolio.

(2) The internal rules shall lay down efficient procedures for establishment, management and monitoring of the risks to which the investment company, or respectively the contractual fund is exposed, or may be exposed.

(3) (Canceled – SG, iss. 27 in 2007).

Art. 68b. (New – SG, iss. 106 in 2006) (1) The internal rules of risk management must be exhaustive and in accordance with the nature, scope and complexity of the activity of the investment company, or of the contractual fund. The rules must contain:

1. policies and procedures for identification of the risks associated with the activity and the investments;
2. procedures of risk assessment, applicable methods, determination and observance of risk limits as well as for admission of exceptions in cases of emergency situations;
3. developed policies and procedures for assuming, management, monitoring and reduction of any types of risk;
4. policies and procedures for measurement and management of all substantial sources of market risk;
5. short-term and long-term strategy of risk management, including diversification of the operating risk related to any kind of activity;
6. periodic review of the used assessment methods;
7. monitoring and regular assessment of compliance of the risk management rules with the market conditions;
8. procedures for full, trustworthy, accurate and timely documenting and accounting of all transactions and assessment of the transactions efficiency;
9. building of efficient and timely reporting system, including: levels and time-limits of reporting; types of reports which are presented to the competent authorities and the management bodies; forms of reporting upon finding errors, irregularities, incorrect use, frauds or misuse;

(2) If the investment company, or the management company, which acts for account of a contractual fund, invests in derivative instruments, the risk management rules shall also include:

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

2. major risks for each derivative instrument indicated on the list;
3. the quantitative limits for investment in any derivative instrument on the list;
4. the selected methods of risk assessment related to the investment in these instruments;
5. (New – SG, iss. 27 in 2007) ways of measurement of the hedging transactions efficiency.

Art. 68c. (New – SG, iss. 106 in 2006) (1) With the purpose of efficient risk monitoring and management, the management company shall create rules of internal organization with clearly defined and transparent levels of responsibilities among the persons participating in the process of risk management, as well as adequate mechanisms of internal control, including clear administrative and accounting procedures.

(2) The rules settling the internal organization and responsibilities must ensure and contain:

1. identification, collection and dissemination in proper form and time limits of reliable and trustworthy information, which allows every person in the management company to assume certain responsibility;
2. effective communication along horizontal and vertical line and on all hierarchical levels of the company;
3. policies and procedures of authorization and approval;
4. policies and procedures for allocation of the responsibilities in a way which does not allow one official simultaneously to have the responsibility for approval, execution, accounting and control of the transactions;
5. policies and procedures for access to the information;
6. rules of human resources management.

(3) For the applying of the risk management rules, the management company shall set up a risk management unit, which shall operate independently from the unit for conclusion of transactions, shall be accountable directly to the management body and shall:

1. have appropriately qualified personnel;
2. develop and implement the risk management system;
3. prepare and analyze the daily reports with the purpose of assessment of the risk of each position and of the portfolio as a whole and take measures for limiting the risk exposures;
4. conduct an initial and on-going examination of the methods of risk assessment and make proposal for their correction;
5. control the input data required for risk assessment according an applicable method of reliability and adequacy;
6. participate in the daily processes of risk planning, monitoring, management and control.

Art. 68d. (New – SG, iss. 106 in 2006) (1) The management body of the investment company shall monitor for observance of the risk management rules, and the management body of the management company shall monitor for observance of the risk management rules and participate actively in the process of risk management.

(2) The management body of the investment company or the management company shall make periodic annual review of the risk management policies and strategies.

(3) The internal rules of risk management according to Art. 68a para 1 shall be adopted by the management bodies of the investment company, or of the management company.

Art. 68e. (New – SG, iss. 106 in 2006) (1) The internal control unit in the management company shall carry out at least once annually examination of the process of risk management and measurement, which shall include as a minimum examination of:

1. the completeness of the documentation related to the risk management rules and the organization of the risk control unit;

2. the accounting for the risk assessments in the daily management of the risk and the integrity of the management information system;

3. the process of approval of the risk assessment methods and systems;

4. the scope of the main risks and approval of all substantial changes in the process of risk measurement;

5. the accuracy and completeness of the data about the positions, the accuracy and appropriateness of the assumptions of volatility and correlation as well as the accuracy of the assessment and calculation of the sensitivity to risk;

6. the compatibility, timeliness and reliability of the data sources, including the independence of the information sources;

7. the results of the tests for validity and precision of the used methods.

(2) The examination of the risk management process shall be documented.

Art. 68f. (New – SG, iss. 106 in 2006; am. iss. 27 in 2007) On the basis of the conducted examination under Art. 68e and upon necessity of introducing changes in the risk management rules, the management body of the investment company, or of the management company, which acts for account of a contractual fund, shall adopt changes in the rules which shall be filed with the Commission for approval according to Art. 192 para 3 of the LPOS within a period not later than 7 days after the day of their adoption.

Art. 68g. (New – SG, iss. 106 in 2006) (1) The investment company, or the management company which acts for account of a contractual fund, shall keep and store accounting information by types of hedging transactions and shall file with the Commission the information under Art. 48 para 3 letter “b” to the monthly report.

(2) (Am. – SG, iss. 27 in 2007) The value of the base asset of each individual hedging position may exceed the value of the asset at the time of the transaction conclusion, which the investment company, or the contractual fund owns in its portfolio, with the purpose of achieving effectiveness of the hedging transaction.

Art. 68h. (New – SG, iss. 106 in 2006) The mechanisms of internal control, the administrative and accounting procedures of the management company must allow the Commission to establish at any time compliance with the risk management rules.

Art. 68i. (New – SG, iss. 106 in 2006) (1) The investment company, or the management company, which acts for account of a contractual fund, shall disclose to the public at least once annually information with the following content:

1. information on the objectives and policy in relation to the risk management for each risk separately, which shall include:

- a) policies and procedures for management of the different types of risk;
- b) the structure and organization of the risk management unit;
- c) scope and nature of the risk reporting and measurement systems;
- d) the policies of risk hedging by derivative instruments and its reduction, as well as the policies and procedures for monitoring the permanent effectiveness of the processes of risk hedging and reduction;

2. information on the methods used for assessment of any type of risk, as well as a description of the respective internal and external indicators which are taken into account in the application of the method of measurement.

(2) The information under para 1 shall be disseminated through the web site of the investment, respectively the management company.

Art. 68j. (New – SG, iss. 106 in 2006) An investment company, or a management company, which acts for account of a contractual fund may not execute short sales of financial instruments.

Part III

Requirements for Issuance of a Loan Contracting Authorization to an Investment Company or, Respectively, to a Management Company or a Depository Bank where Acting for the Account of a Contractual Fund

Art. 69. Only a bank other than the depository bank may extend any such loan.

Art. 70. (Am. – SG, iss. 27 in 2007) An investment company may contract more than one loan only if the total amount of loans for one and the same period does not exceed the amount referred to in Art. 197, para. 2 or Art. 201, para. 5 of the LPOS.

(2) Para. 1 shall apply, *mutatis mutandis*, upon contracting a loan for the account of the contractual fund.

Art. 71. For the issuance of a loan contracting authorization to an investment company or, respectively, to a management company or a depository bank which act for the account of a contractual fund, there shall be filed an application to the Deputy Chairperson in a standard form approved by the Deputy Chairperson, enclosing therewith:

1. minutes of the meeting of the competent body according to the instruments of incorporation of the investment company or, respectively, the management company and the depository bank, at which the decision about contracting of a loan and its amount has been made;

2. a certificate of current court registration;

3. a rationale for the loan, including information about:

(a) any orders to redeem shares in the open-end investment company or, respectively, units of the contractual fund, made until submission of the application and the fixed redemption price over the preceding 3 months, as well as about any obligations arising in relation to the redemption;

(b) the assets which will be acquired by a closed-end investment company;

4. a business plan containing the following minimum information:

(a) volume and structure of investments in the portfolio, by sectors included;

(b) expected financial performance for the current year;

5. potential collateral and guarantees; where collateral is a pledge of tangible fixed assets, there shall furthermore be submitted a list of these assets, indicating the year of acquisition, their book value and the sequence of the pledge;

6. a financial statement as required by Art. 26, para. 1 of the Accountancy Act and a liquidity report as of the last day of the month preceding the filing of the application;

7. a draft lending agreement and a repayment schedule coordinated with the bank which will extend the loan.

Art. 72. (1) (Am. –SG, iss. 27 in 2007) The Deputy Chairperson shall pronounce by a decision on the application for contracting a loan under the terms of Art. 197, para. 2, Art. 197a in reference to Art. 197, para. 2 or Art. 201, para. 5 of the LPOS.

(2) After receiving a loan contracting authorization, the investment company or, respectively, the management company or the depository bank, must notify the Deputy Chairperson of the concluded lending agreement and provide a copy of the said agreement within 3 days of the date of conclusion.

Art. 73. The investment company or, respectively, the management company or the depository bank, must submit to the Deputy Chairperson a monthly report on the spending of the proceeds from the loan.

Chapter Seven

REQUIREMENTS FOR THE CONTENT OF THE PROSPECTUSES, REPORTS, ADVERTISEMENTS AND PUBLICATIONS OF INVESTMENT COMPANIES AND CONTRACTUAL FUNDS

(Title suppl. – SG, iss. 82 in 2007; am. iss. 29 in 2008)

Part I

(New – SG, iss. 82 in 2007)

Content of the Prospectus of an Open-end Investment Company and a Contractual Fund

Art. 73a. (New – SG, iss. 82 in 2007) (1) (Suppl. iss. 29 in 2008) An investment company and a contractual fund shall publish a full prospectus and a simplified prospectus, applying respectively Art. 20 para 1, 2, 4 and 5 of Ordinance No. 2 from 2003 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information by the public companies and other issuers of securities (SG, iss. 90 in 2003) (Ordinance No. 2).

(1) Both the full and simplified prospectus must contain information necessary to the investors to make accurate assessment of the offered investment, including of the related risks. The prospectus shall contain description of the risk profile of the investment company and of the contractual fund, presented in a clear and easily understandable manner.

Art. 73b. (New – SG, iss. 82 in 2007) (1) The full prospectus shall contain as a minimum the information according Annex 4.

(2) The simplified prospectus shall contain in summary the most important information about the investment company and the contractual fund according to Annex 5, presented in a

manner easily understandable for the retail investor. The simplified prospectus shall be attached to the full prospectus.

Part II

(New – SG, iss. 82 in 2007)

Content of the Periodic Information Disclosed by an Open-end Investment Company and a Contractual Fund

Art. 73c. (New – SG, iss. 82 in 2007) An investment company and a contractual fund shall present to the Commission and to the public:

1. an annual financial statement within 90 days after the end of the financial year;
2. quarterly financial statements within 30 days after the end of each quarter;
3. (Am. – SG, iss. 29 in 2008) the inside information according to Art. 4 of the Law on Measures against Market Abuse with Financial Instruments and Chapter Seven Section Ia of Ordinance No. 2.

Art. 73d. (New – SG, iss. 82 in 2007) (1) The annual financial statement of an investment company and a contractual fund shall contain:

1. a certified by a registered auditor annual financial statement under the Accountancy Act as well as an auditor's report;
2. an annual report on the activities according Art. 33 of the Accountancy Act;
3. (Am. – SG, iss. 29 in 2008) a programme for the application of the internationally recognized standards of good corporate governance for the investment company, determined by the Deputy Chairperson, or rules of good corporate governance, equivalent to that programme for the contractual fund;
4. in the cases when the investment company and the contractual fund invest a substantial part of their assets according the procedure of Art. 197 para 3 of the LPOS - the maximum ratio of the remuneration for management of the management company and/or the other company, related to the management, paid by the investment company, or the contractual fund on one side, and by the collective investment scheme in which the investment company and contractual fund invest, on the other side;
5. (Suppl. – SG, iss. 29 in 2008) information of a financial statement – information according a model form determined by the Deputy Chairperson, consisting of a balance sheet, an income statement, a cash flow statement and statement on changes in own funds;
6. additional information, including:
 - a) number of shares/ units at the end of the reporting period;
 - b) net asset value per one share and unit;
 - c) volume and structure of the investments in the portfolio by types of financial instruments, analyzed according the most appropriate economic, geographical or currency indicators, according the policy of the investment company and the contractual fund with indication of their percentage of the net assets;
 - d) the changes in the portfolio structure which have occurred during the reporting period;

e) the changes in the state of assets within the reporting period, including income from investments; other income; management costs; servicing fee of the depository bank; other payments and taxes; net revenues; distribution of the income and investments of this income; changes in the capital; increase or decrease in the investments and all other changes which had an impact on the assets and liabilities' value;

f) a comparative table covering the last three financial years, with indication at the end of each financial year of the total amount of the net assets and the net value per one share and unit;

g) detailed information on the liabilities arisen from transactions with derivative instruments under Art. 195 para 1 item 7 of the LPOS for the reporting period, by categories of transactions.

(2) The Deputy Chairperson shall determine the format of the investment companies' financial statements on the basis of the international accounting standards and the best international practice.

Art. 73e. (New – SG, iss. 82 in 2007; am. iss. 29 in 2008) (1) The quarterly financial report of the investment company and the contractual fund shall contain:

1. a set of financial statements - information according a model form determined by the Deputy Chairperson, consisting of a balance sheet, income statement, cash flow statement and a statement on changes in own funds;

2. additional information under Art. 73d para 1 item 6, letters “a” – “e”;

3. data on the disclosed internal information about the relevant quarter according Art. 73c item 3.

Art. 73f. (New – SG, iss. 29 in 2008) The investment company, or the management company shall file with the Commission, on behalf of the contractual fund, information to the quarterly and annual financial statements on the volume and structure of the investments in the portfolio by issuers, as well as other information according a model form, determined by the Deputy Chairperson. The information of the previous sentence shall not be made public and the same shall be used only for the supervisory purposes of the Commission.

Art. 73g. (New – SG, iss. 29 in 2008) A collective investment scheme from a Member State which offers its units to the public in the Republic of Bulgaria shall publish, provide to the Commission and update the information under Art. 211j of the LPOS on the territory of the Republic of Bulgaria in compliance with the procedures for publication, provision to the supervisory authority and updating of that information in the home Member State.

Part III

(New – SG, iss. 82 in 2007)

Requirements for the Advertisements and Publications of an Open-end Investment Company and a Contractual Fund

Art. 74. (1) An investment company or, respectively, a management company when managing a contractual fund may not distribute any advertisements, including leaflets, brochures, form letters, visual or any other materials related to the public offering of shares in the investment company or, respectively, units of the contractual fund, and addressed to potential investors, if they have not submitted a copy of the full text of these materials to the

Commission. Any change to any materials referred to in the foregoing sentence need not be submitted to the Commission if it only updates existing materials.

(2) Any promotional material related to the activities of an investment company or, respectively, a contractual fund, as well as any non-improvised public statement by a member of the management or supervisory body of the investment company or by any other person working for the investment company under a contract or, respectively, by any member of the management and supervisory body of the management company and by any other person working for the management company under contract, must obtain prior approval from the head of the internal supervision department.

Art. 75. (1) (Am. – SG, iss. 27 in 2007; iss. 82 in 2007) The promotional materials and publications may not contain false or misleading information as well as such contradicting the information contained in the prospectus and apart from the information under Art. 189, para. 2 of the LPOS, it must also include warnings that:

1. investments in the company or, respectively, in the contractual fund, are not secured by a guarantee fund established by the State or by any other type of guarantee;
2. previous operating performance of the company or, respectively, of the contractual fund, is not necessarily related to future performance.

(2) Upon telephone calls, including the use of a recorded telephone message, for the purpose of selling shares in an open-end investment company or, respectively, of units of a contractual fund, the following requirements must be complied with:

1. the admissible interval of time in which such calls may be made is from 9 a.m. to 8 p.m.;
2. during such calls, the following information shall mandatorily be communicated:

(a) the identity of the caller and the business name of the investment company or, respectively, the business names of the contractual fund and the management company thereof, whose shares or, respectively, units, are subject of offering;

(b) the telephone number or the address at which the person offering shares in the investment company or, respectively, units of the contractual fund, may be contacted;

(c) the purpose of the call in the event of an offer to transfer shares for a consideration or an invitation to make an offer to acquire shares in the investment company or, respectively, of units of the contractual fund, for a consideration;

(d) (Am. – SG, iss. 27 in 2007) the obligation of the management company to make it possible for investors to get familiar with an updated version of the investment company's prospectus or, respectively, the contractual fund's prospectus.

Art. 76. (1) (Am. – SG, iss. 27 in 2007) In all cases when meetings with investors are organized for promotional purposes or the activities of the investment company or the contractual fund are advertised via questions and answers, including via electronic data storage mediums, the investment company, or the management company must comply with the following rules:

1. the charts, tables, slides and other visual aids shown must have been submitted to the Commission under the procedure of Art. 74;
2. copies of the visual aids under item 1 may not be distributed without giving investors an opportunity to get familiar with an updated version of the investment company's prospectus or, respectively, the contractual fund's prospectus;
3. the investment company or the management company must exercise reasonable care:

(a) not to distribute any materials under item 1 to persons that have not been given an opportunity to get familiar with an updated version of the investment company's prospectus or, respectively, with an updated version of the contractual fund's prospectus;

(b) that such materials will not be copied or distributed by persons that have not been authorized to do so.

(2) Any verbal notices to or communications with investors may not be contrary to the Articles of Association and the prospectus of the investment company or, respectively, to the rules and the prospectus of the contractual fund.

Art. 77. (1) Any materials under Art. 74, para. 1 may be published or distributed by any other means unless the Deputy Chairman issues a prohibition against this within 7 business days of their submission.

(2) If the submitted materials are non-conforming, there is a need of additional information or evidence of the data contained in them, the Deputy Chairperson shall issue a temporary prohibition within 7 business days against publishing or distributing such materials and shall send a notice of the deficiencies and non-conformities that has been ascertained or of the additional information and evidence that is requested.

(3) The investment company or, respectively, the management company where managing a contractual fund, shall remove the deficiencies or non-conformities as indicated or shall provide the information as requested within 7 business days of the receipt of the notice.

(4) If the Deputy Chairperson does not issue a final prohibition against publishing or distributing the materials within 7 business days of the receipt of the requested documents, the investment company or, respectively, the management company may publish or distribute the said materials by any other means.

Art. 78. (1) In presenting the investment company's and contractual fund's operating performance in any advertisements and publications, the following requirements must be complied with:

1. the operating performance may be presented only if at least 6 months have elapsed since the investment company or, respectively, the contractual fund, has commenced operation and at least two quarterly reports have been prepared;

2. the performance for the past year shall be presented after preparation of the annual financial statements of the company or, respectively, of the contractual fund;

3. the operating performance of the investment company or, respectively, of the contractual fund, is comparable to:

(a) the yield of other investment companies or, respectively, contractual funds, with similar investment purposes;

(b) a suitable wide-ranging market index of securities traded on regulated markets;

(c) interest on deposits;

(d) inflation rate, whereupon the comparison period under consideration may not be shorter than 5 years or, if less than 5 years have passed since the beginning of the activity of the investment company, or the contractual fund, the respective comparison period may not be shorter than the period preceding the advertisement.

(2) The Commission shall prepare directions regarding the presentation of an investment company's and contractual fund's operating performance in graphic or tabular form.

(3) The Commission shall prepare directions regarding the graphic and color marking of the risk profile of the investment company or, respectively, of the contractual fund upon presentation of their operating performance, as well as in their promotional materials.

Art. 78a. (New – SG, iss. 106 in 2006; am. iss. 82 in 2007) The provisions of Part III of this Chapter shall apply to the advertisements and the presentation of the operating performance of collective investment schemes from a home Member State, satisfying the requirements of Council Directive 85/611/EEC on non-discriminatory basis.

Part IV

(New – SG, iss. 29 in 2008)

Requirements for the Advertising Materials, the Notification of the Result of the Initial Public Offering, the Other Information for Admission of Shares to Trading on a Regulated Market and Subsequently Disclosed Information, Disclosed by a Closed-end Investment Company

Art. 78b. (New – SG, iss. 29 in 2008) (1) With regard to advertising materials and other information for admission of the shares of a closed-end investment company to trading on a regulated market, the notification of the result of the initial public offering and subsequently disclosed information shall apply the provisions of Ordinance No. 2.

(2) To the annual and quarterly financial statement the investment company shall submit information about the volume and structure of the investments in the portfolio by issuers under Art. 73f.

Chapter Eight

ADMINISTRATIVE PENALTY LIABILITY

Art. 79. (1) Any person that has violated the Ordinance, as well as any person that has suffered the commission of such violations, shall be penalized pursuant to Art. 221 of the LPOS.

(2) The written statements ascertaining violations of the Ordinance shall be drawn up by officials authorized by the Deputy Chairperson, and the penalty warrants shall be issued by the Deputy Chairperson.

(3) Violations shall be ascertained and penalty warrants shall be issued, appealed against and executed under the procedure of the Administrative Violations and Sanctions Act.

ADDITIONAL PROVISION

§ 1. Within the meaning given by this Ordinance:

1. (Suppl. – SG, iss. 106 in 2006) “Portfolio” shall be a combination of the held by an investment company or, respectively, incorporated into the property of a contractual fund securities and other financial assets under Art. 195 of the LPOS.

2. “Persons working for an investment company under a contract” shall be persons who have been assigned to manage the investment company, such as managerial agents and business attorneys, as well as persons working for the investment company under an employment contract or a civil-law contract of services, whose work is directly related to the company’s operations, including persons who provide investment advice, take orders for

transactions in shares of the company and/or in assets of its portfolio, persons responsible for any notifications under the Ordinance, for keeping accounts and storing of documents, or persons exercising internal supervision.

3. “Advertisement” shall be any material which:

(a) has been issued or distributed on behalf of and/or for the account of the investment company and the contractual fund or of the management company, or by a third party that has received any property benefit for the account of the investment company or the contractual fund or of the management company, and

(b) contains information about the investment company or, respectively, the contractual fund exerting influence on investors in making a decision whether to invest in the investment company’s shares or, respectively, in the units of the contractual fund, and

(c) reaches the general public via the mass media or by any other means of communication, such as newspapers, magazines, periodicals, radio, television, recorded telephone message or telephone call, film, audio or video equipment, telecommunication device, Internet page, billboards or signs, verbal or written announcements.

4. “Current liabilities” shall be the sum of all short-term and those long-term liabilities that are payable within one year of the date at which the liquidity report is prepared.

5. “Short-term receivables” shall be receivables due within one year of the date at which the liquidity report is prepared.

6. (Am. and suppl. – SG, iss. 106 in 2006; iss. 27 in 2007; am. iss. 29 in 2008) “Market price within the meaning of Art. 51 and 52 of:

(a) Bulgarian and foreign shares and rights admitted to or traded on a regulated market in the Republic of Bulgaria, as well as Bulgarian shares and rights admitted to or traded on a regulated market in Member States shall be:

(aa) the weighted average price of the transactions concluded in them on the current business day, as announced by the trading system or in the stock exchange bulletin, if the volume of the transactions concluded therein is not less than 0.02 per cent of the volume of the relevant issue.

(bb) where letter “aa” is not applicable – the arithmetic mean of the highest purchase price of the orders which were valid at the close of the regulated market for the current business day, and the weighted average price of the transactions concluded in them for the same day. The price shall be determined under this procedure solely in case any transactions have been concluded and any orders with a purchase price have been entered.

(cc) in case where letter “bb” is not applicable – the weighted average price of the transactions concluded in them for the nearest day during the last 30-day period preceding the day of valuation, for which there are concluded transactions;

(dd) in case that the regulated market has not closed by 15.00 hrs Bulgarian time, the subsequent valuation shall be made at the last price of concluded with them transaction on the relevant market for the business day preceding the day of valuation, and in case where this manner of valuation is not applicable – at the purchase price at the close of the market on the business day preceding the day of valuation;

(b) Bulgarian and foreign bonds admitted to or traded on a regulated market in the Republic of Bulgaria, as well as Bulgarian bonds admitted to or traded on a regulated market in Member States shall be:

(aa) the weighted average price of the transactions concluded in them for the current business day, as announced by the trading system or in the stock exchange bulletin, if the volume of the transactions concluded for the day is not less than 0,01 per cent of the volume of the relevant issue;

(bb) where letter “aa” is not applicable – the weighted average price of the transactions concluded in them for the nearest day during the last 30-day period preceding the day of valuation, for which there are concluded transactions;

(cc) in case that the regulated market has not closed by 15.00 hrs Bulgarian time the subsequent valuation shall be made under the procedure of Art. 59 para 2 letter “b”, and in case that the regulated market does not operate on the day of valuation – under Art. 59 para 2 letter “c”, accordingly;

(c) Bulgarian and foreign securities, admitted to or traded on regularly operating, recognized and publicly accessible regulated markets abroad, that have closed by 15.00 hrs Bulgarian time on the day of valuation shall be:

aa) the last price of a transaction concluded therein on the relevant market at the valuation day;

bb) in case of impossibility to apply the way of valuation under letter “aa” – the valuation shall be made at purchase price at the close of the market on the day of valuation, as announced in the electronic price information system;

cc) in case of impossibility to apply the way of valuation under letter “bb” – the valuation shall be made at last price of a transaction concluded with them within the last 30-day period;

d) Bulgarian and foreign securities admitted to or traded on regularly operating, recognized and publicly accessible regulated markets abroad, which have not closed by 15 hrs Bulgarian time on the day of valuation, shall be:

aa) at last price of a transaction concluded therein on the relevant market for the business day preceding the valuation day;

bb) in case of impossibility to apply the way of valuation under letter “aa” – the valuation shall be made at purchase price at the close of the market on the business day preceding the valuation day, as announced in the electronic price information system;

cc) in case of impossibility to apply the way of valuation under letter “bb” – the valuation shall be made at last price of a transaction concluded with them within the last 30-day period;

e) any units of collective investment schemes under Art. 195 para 1 item 5 of the LPOS shall be the last redemption price quoted, with the exception of the cases of suspension of redemption;

f) securities issued by the Republic of Bulgaria in the country shall be the arithmetical mean of the purchase prices for the current business day announced by not less than two primary dealers of government securities;

g) the issued by the Republic of Bulgaria securities and money market instruments abroad as well as the issued by other Member State securities and money market instruments shall be:

aa) at purchase price at the close of the market on the valuation day, as announced in an electronic system for price information;

bb) in case that the foreign market has not closed by 15.00 hrs Bulgarian time on the valuation day – purchase price at the close of the market for the last business day, as announced in an electronic price information system;

h) money market instruments admitted to or traded on a regulated market – according to Art. 62 para 1.

7. (Canceled – SG, iss. 29 in 2008).

8. (New – SG, iss. 106 in 2006) “Hedging transactions” mean transactions which envisage deferral of the fulfillment of the obligations under them for a set future date or term, concluded with the purpose of reduction of the investment risk associated with the assets of the investment companies and the contractual funds.

9. (new – SG, iss. 106 in 2006; am. iss. 27 in 2007) “Stock split” means the issue of a definite number of shares of the company, which are exchanged against the hitherto existing number of shares owned by the shareholders.

10. (New – SG, iss. 82 in 2007) “Durable data storage medium” shall be a means for provision of information to a client, which allows the client to preserve the information addressed personally to him, in a way permitting subsequent familiarization with it for a period of time, adequate for the purposes of the information provision and allowing reproduction of the stored information without any changes.

11. (New – SG, iss. 29 in 2008) “A security or money market instrument with imbedded derivative financial instrument” means a security or a money market instrument containing a component which satisfies the following requirements:

a) on the basis of this component, some or all cash flows expected from the security or the money market instrument, as a main contract, may be changed according a given interest rate, price of financial instrument, exchange rate, price or value index, credit rating, credit index or other variable and as a result of it vary as with an independent derivative financial instrument;

b) its economic characteristics and risks are not closely related to the economic characteristics and risks of the main contract;

c) it has significant influence over the risk profile and the valuation of the security or the money market instrument;

d) it may not be transferred by a contract separately from the security or the money market instrument.

TRANSITIONAL AND FINAL PROVISIONS

§ 2. The investment companies and the contractual funds shall bring their activities into conformity with the requirements of this Ordinance within three months after its entry into force.

§ 3. The Ordinance is issued in pursuance of § 16, para. 1 in reference to Art. 172, para. 2, Art. 177, para. 5, Art. 177a, para. 10, Art. 178, Art. 195, para. 5, and Art. 200, para. 3 of the LPOS and is adopted by Decision No. 53-H from 22 March, 2006 of the Financial Supervision Commission.

§ 4. The Financial Supervision Commission shall give directions for the application of this Ordinance.

TRANSITIONAL AND FINAL PROVISIONS to the Ordinance on Amendment and Supplement to Ordinance No. 25 from 2006 on the requirements for the activities of investment companies and contractual funds.

(SG, iss. 106 in 2006)

§ 33. The investment companies and contractual funds shall bring their activity in compliance with the requirements of the Ordinance within three months of its coming into effect.

§ 34. The investment companies shall bring their articles of association in compliance with the requirements of the Ordinance at the first regular general meeting of shareholders, held after the coming of the Ordinance into force.

.....
§ 37. The Financial Supervision Commission shall give directions for the application of this Ordinance.

TRANSITIONAL AND FINAL PROVISIONS to the Ordinance on Amendment and Supplement to Ordinance No. 25 from 2006 on the requirements for the activities of investment companies and contractual funds.

(SG, iss. 27 in 2007)

§ 22. The investment companies and contractual funds shall bring their activity in compliance with the requirements of the Ordinance within a term till 30 June, 2007.

Supplement No. 1 to Art. 32, para. 1

(Am. –SG, iss. 27 in 2007; suppl. iss. 82 in 2007)

I. Minimum Contents of an Order to Buy Shares of an Open-end Investment Company

1. (Suppl. – SG, iss. 82 in 2007) Business name, seat, registered office and address for correspondence, BULSTAT code, or Unified Identification Code and contact telephone of the investment company from which the shares will be purchased.
2. Number, date, time and place where the order to buy shares was taken.
3. (Suppl. – SG, iss. 82 in 2007) Forename, patronymic and surname, Personal Identity Number and identity card number of the applicant natural person or, respectively, of the representative of a legal person on whose behalf the order is to be made, business name, seat and BULSTAT code, or Unified Identification Code of the applicant legal person.
4. Business name, seat and registered office of the investment intermediary via which the order is to be made or, respectively, forename, patronymic and surname, Personal Identity Number, domicile and address of the proxy, as well as number and date of the power of attorney.
5. Address of the applicant or of his/her/its representative or proxy at which all notices in relation to the purchase are to be sent.
6. Manner and place of receipt of the documents certifying the purchase of shares.
7. (Am. – SG, iss. 27 in 2007; suppl. iss. 82 in 2007) Business name, seat, registered office and address for correspondence, BULSTAT code, or Unified Identification Number and contact telephone of the management company.
8. Number of shares or value of the order.
9. Total amount deposited by the applicant.
10. Amount of costs related to the issue (sale) of shares of the company.
11. Type, date and number of the payment document by which the amount for the purchase of shares was deposited.

12. Manner, place and time limit for reimbursement of any amounts overpaid upon the purchase of shares. Where the amounts overpaid are reimbursed by bank transfer: business name of the bank, bank code, and number of the bank account.

13. (Am. – SG, iss. 27 in 2007) Manner, place and time limit for reimbursement of any amounts paid in case of failure to execute an order for purchase of shares according to Art. 37, para 4. Where the amounts overpaid are reimbursed via bank: business name of the bank, bank code and number of the bank account.

14. Deadline for executing the order.

15. Statement by the applicant about the origin of any cash in excess of BGN 30,000 by which he/she/it wishes to purchase the shares.

16. (Am. – SG, iss. 27 in 2007) Signatures of the applicant or, respectively, of his/her/its representative or proxy and of the person empowered by the management company to take and execute orders to buy shares.

Note. The documents presented when an order is made must be listed on the reverse side of the order.

II. Minimum Contents of an Order to Buy Units of a Contractual Fund

1. (Suppl. – SG, iss. 82 in 2007) Business name of the contractual fund, business name, seat, registered office, business and mailing address, BULSTAT code, or Unified Identification Number and contact telephone of the management company from which the units of the contractual fund will be purchased.

2. Number, date, time and place where the order to buy units was taken.

3. (Suppl. – SG, iss. 82 in 2007) Forename, patronymic and surname, Personal Identity Number and identity card number of the applicant natural person or, respectively, of the representative of a legal person on whose behalf the order is to be made, business name, seat and BULSTAT code, or Unified Identification Code of the applicant legal person.

4. Business name, registered office and business address of the investment intermediary via which the order is to be made, respectively, forename, patronymic and surname, Personal Number, domicile and address of the proxy, as well as number and date of the power of attorney.

5. Address of the applicant or of his/her/its representative or proxy at which all notices in relation to the purchase are to be sent.

6. Manner and place of receipt of the documents certifying the purchase of units.

7. Number of units or value of the order.

8. Total amount deposited by the applicant.

9. Amount of costs related to the issue (sale) of units of the contractual fund.

10. Type, date and number of the payment document by which the amount for the purchase of units was deposited.

11. Manner, place and time limit for reimbursement of any amounts overpaid upon the purchase of units, if the contractual fund does not issue fractional units. Where the amounts overpaid are reimbursed by bank transfer: business name of the bank, bank code, and number of the bank account.

12. (Am. – SG, iss. 27 in 2007) Manner, place and time for reimbursement of any amounts paid in case of failure to execute an order for purchase of units according to Art. 37, para 4. Where the amounts overpaid are reimbursed by bank transfer: business name of the bank, bank code, and number of the bank account.

13. Deadline for executing the order.

14. Statement by the applicant about the origin of any cash in excess of BGN 30,000 by which he/she/it wishes to purchase the units.

15. Signatures of the applicant or, respectively, of his/her/its representative or proxy and of the person empowered by the management company to take and execute orders to buy units.

Note. The documents presented when an order is made must be listed on the reverse side of the order.

Supplement No. 2 to Art. 32, para. 1

(Suppl. – SG, iss. 82 in 2007; am. and suppl. iss. 29 in 2008; in effect from 23 July, 2008)

I. Minimum Contents of an Order to Redeem Shares of an Open-end Investment Company

1. (Suppl. – SG, iss. 82 in 2007) Business name, seat, registered office and address for correspondence, BULSTAT code, or Unified Identification Code and contact telephone of the investment company from which the shares will be redeemed.

2. Number, date, time and place where the order to redeem shares was taken.

3. (Suppl. – SG, iss. 82 in 2007) Forename, patronymic and surname, Personal Identity Number and identity card number of the applicant natural person or, respectively, of the representative of a legal person on whose behalf the order is to be made, business name, seat and BULSTAT code, or Unified Identification Code of the applicant legal person.

4. Business name, seat and registered office of the investment intermediary via which the order is to be made or, respectively, forename, patronymic and surname, Personal Identity Number, domicile and address of the proxy, as well as number and date of the power of attorney.

5. Address of the applicant or of his/her/its representative or proxy at which all notices in relation to the redemption are to be sent.

6. Manner and place of payment of the price of the redeemed shares. Where the price of the redeemed shares is paid by bank transfer: business name of the bank, bank code, and number of the bank account.

7. (Suppl. – SG, iss. 82 in 2007) Business name, seat, registered office and address for correspondence, BULSTAT code, or Unified Identification Code and contact telephone of the management company via which the shares are to be redeemed.

8. Number of shares or value of the order.

9. Amount of redemption costs.

10. If the applicant is a non-resident person, he/she/it must state whether he/she/it will enjoy a special tax treatment under the relevant convention for the avoidance of double taxation in relation to the income derived from the redemption of shares, the relevant State with which the Republic of Bulgaria has concluded the convention, as well as the specific method (full or partial tax exemption).

11. Deadline for executing the order.

12. Signatures of the applicant or of his/her/its representative or proxy and of the person empowered by the management company to take and execute orders to redeem shares.

Note. The documents presented when an order is made must be listed on the reverse side of the order.

II. Minimum Contents of an Order to Redeem Units of a Contractual Fund

1. (Suppl. – SG, iss. 82 in 2007) Business name of the contractual fund, business name, seat, registered office and address for correspondence, BULSTAT code, or Unified Identification Code and contact telephone of the management company from which the units of a contractual fund will be redeemed.

2. Number, date, time and place where the order to redeem units was taken.

3. (Suppl. – SG, iss. 82 in 2007) Forename, patronymic and surname, Personal Identity Number and identity card number of the applicant natural person or, respectively, of the representative of a legal person on whose behalf the order is to be made, business name, seat and BULSTAT code, or Unified Identification Code of the applicant legal person.

4. (New – SG, iss. 29 in 2008) Business name, seat and registered office of the investment intermediary via which the order is given, or the forename, patronymic and surname, the Personal Identity Number, domicile and address of the proxy as well as number and date of the power of attorney.

5. (Previous item 4 – SG, iss. 29 in 2008) Address of the applicant or of his/her/its representative or proxy at which all notices in relation to the redemption are to be sent.

6. (Previous item 5 – SG, iss. 29 in 2008) Manner and place of payment of the price of the redeemed units. Where the price of the redeemed units is paid by bank transfer: business name of the bank, bank code, and number of the bank account.

7. (Suppl. – SG, iss. 82 in 2007; prev. item 6 – SG, iss. 29 in 2008) Business name, seat, registered office and address for correspondence, BULSTAT code, or Unified Identification Code and contact telephone of the management company via which the units are to be redeemed.

8. (Previous item 7 – SG, iss. 29 in 2008) Number of units or value of the order.

9. (Previous item 8 – SG, iss. 29 in 2008) Amount of redemption costs.

10. (Previous item 9 – SG, iss. 29 in 2008) If the applicant is a non-resident person, he/she/it must state whether he/she/it will enjoy a special tax treatment under the relevant convention for the avoidance of double taxation in relation to the income derived from the redemption of units, the relevant State with which the Republic of Bulgaria has concluded the convention, as well as the specific method (full or partial tax exemption).

11. (Previous item 10 – SG, iss. 29 in 2008) Deadline for executing the order.

12. (Previous item 10 – SG, iss. 29 in 2008) Signatures of the applicant or of his/her/its representative or proxy and of the person empowered by the management company to take and execute orders to redeem units.

Note. The documents presented when an order is made must be listed on the reverse side of the order.

Supplement No. 3 to Art. 48, para. 1
(Am. and suppl. – SG, iss. 106 in 2006; iss. 29 in 2008, in effect from 23 July, 2008)

LIQUIDITY REPORT

as of:

.....
(balance sheet date)

of:

.....

(business name and registered office of investment company or, respectively, business name of contractual fund and business name and registered office of its management company)

This Report is prepared in accordance with Ordinance No. 25 from 2006 on the Requirements for the Activities of Investment Companies and Contractual Funds. We are aware of, and we incur, personal liability for the truthfulness of the data and for the conformity of the Report with the liquidity reporting rules according to the Ordinance.

Date:

(L.S.)

Executive Director:

(name) (signature)

Chief Accountant:

(name) (signature)

Prepared by:

(name, position) (signature)

Table A. Report of Current Assets in Lev Terms

Assets	Book value of assets as of. . . .	Revalued amounts of the assets as of. . . .
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I. Asset item

1. Cash in hand
in BGN
2. Cash in hand
in foreign currency
3. (Am. – SG, iss. 29 in 2008)
Bank deposits in BGN,
of which:
 - 3.1. Current accounts
 - 3.2. Time deposits
4. (Am. – SG, iss. 29 in 2008)
Bank deposits in foreign currency,
of which:
 - 4.1. Current accounts
 - 4.2. Time deposits
5. (Am. – SG, iss. 106 in 2006; iss. 29 in 2008)

Securities and money market instruments under Art. 195 para 1 item 1-3 of the LPOS (with the exception of the securities and money market instruments issued by the Republic of Bulgaria or other Member State under Art. 195 para 1 item 2 of the LPOS) and units of collective investment schemes which have a market price

6. (Am. – SG, iss. 106 in 2006; iss. 29 in 2008)

Securities and money market instruments issued by the Republic of Bulgaria or other Member State under Art. 195 para 1 item 2 of the LPOS

7. (New – SG, iss. 29 in 2008)

Money market instruments under Art. 195 para 1 item 8 letter “a” of the LPOS

8. (New – SG, iss. 29 in 2008)

Money market instruments under Art. 195 para 1 item 8 letter “b” – “d” of the LPOS

9. (Previous item 7 – SG, iss. 29 in 2008)

Short-term receivables

II. (Am. – SG, iss. 29 in 2008)

Total according to Art. 51, para. 1, item 1
(1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)

III. (Am. – SG, iss. 106 in 2006; iss. 29 in 2008)

Total according to Art. 51, para 1, item 2
(1 + 2 + 3 + 4 + 6 + 7)

B. Table Reporting Current Liabilities in BGN Terms

Current liabilities	Book value of liabilities as of . . .	up to 1 month	from 1 month to 3 months	from 3 months to 12 months
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I. Current liability items

1. Amounts owed on commercial loans

2. Creditors

2.1. (Suppl. – SG, iss. 106 in 2006)

Amounts owed to affiliated enterprises

with the exception of amounts related to participation in the increase of the capital of public companies

2.2. Amounts owed to the Exchequer

2.3. Amounts owed for social security (not applicable to contractual fund)

2.4. Amounts owed to own employees (not applicable to contractual fund)

2.5. Amounts owed to management company

2.6. Amounts owed to members of management and supervisory body (not applicable to contractual fund)

2.7. Amounts owed to depository bank

2.8. Other creditors, including interest payable on loans

II. Sum total

III. Sub-totals by group

IV. Adjusting weights 1.00 0.50 0.25

V. Weighted totals by group
(III x IV)

VI. Weighted sum total
(sum total of amounts under V)

C. Comparative Information on Liquid Assets

I. Ratio according to Art. 51, para 1

1. Under item 1

1.1. Actual value (A.II/B.VI)

1.2. Statutory minimum 1.00

1.3. Difference (1.1 - 1.2)

(a) positive

(b) negative

2. Under item 2

2.1. Actual value (A.III/B.VI)

2.2. Statutory minimum
0.50 (0.70)

2.3. Difference (2.1 - 2.2)

(a) positive

(b) negative

as of:

(date)

of:

(name)

Supplement No. 4 to Art. 73b, para. 1

(New – SG, iss. 82 in 2007; am. iss. 29 in 2008, in effect from 23 July, 2008)

**Content of the Full Prospectus of an Open-end Investment Company and
a Contractual Fund**

A. Title-page including the following information:

1) Business name of the investment company and the contractual fund;

2) Title of the document;

3) (Am. – SG, iss. 29 in 2008) Type of offered financial instruments

4) Date of the prospectus (of the most recent update of the prospectus)

5) Statement that the prospectus contains the whole information necessary to take investment decision, including the main risks associated with the company, or the fund and their activity, and that it is in the investors' interest to acquaint themselves with the prospectus before making a decision to invest.

6) Statement in bold type that the Financial Supervision Commission has confirmed this prospectus, but that does not mean that the Commission approves or does not approve the investment in the offered shares or units, or that it assumes responsibility for the truthfulness of the presented in the prospectus information.

7) Indication of the persons who bear liability for damages caused by false, misleading or incomplete data in the prospectus, or for part of the information therein.

B. Back of title-page

1) Detailed content of the prospectus

2) Information on the place, time and manner in which the investors may obtain the prospectus, including address, telephone, working hours and contact person of the investment company, and the management company.

3) Information that the investment in shares of the investment company, or in units of the contractual fund, is connected with risks and indication of the pages in the prospectus where the risk factors, specific for the offered shares or units, are presented.

1. Information about the investment company and the contractual fund

1.1. Business name, seat and registered office, telephone (fax), e-mail and web-site, if any, of the investment company; business name of the contractual fund and term of the closed period for the investment company and the contractual fund, if such is envisaged.

1.2. Date of incorporation and term of existence, if such is envisaged, of the investment company and the contractual fund.

1.3. For an investment company with different investment departments (separation of different investment portfolios) – indication of the separate investment departments (investment portfolios).

1.4. Information on the members of the management and of the supervisory bodies of the investment company:

1.4.1. for the natural persons:

a) forename, patronymic and surname, education, qualification and professional experience;

b) data on pursued outside of the company activity, if any, and if it is of significance with a view to the Company's operation;

1.4.2. for the legal persons – business name, seat and registered office, subject of activity, number and lot of entry in the commercial register, BULSTAT code, or Unified Identification Code, tax number as well as the data under item 1.4.1 for the person who represents them in the pursuance of their obligations in the managerial and supervisory bodies.

1.5. Information on the management company:

a) business name, seat and registered address, telephone (fax), e-mail and web-site, if any;

b) date of the company's incorporation and term of existence, if such is envisaged; number and date of the issued by the Commission license to carry out activity as management company;

c) brief information about the professional experience of the company;

d) substantial conditions of the management contract with the investment company;

e) if the management company manages other contractual funds, indication of these funds;

f) the information under item 1.4 on the members of the management and supervisory bodies of the management company;

g) subscribed and paid-in capital.

1.6. Data on the investment intermediaries which execute investment decisions and orders of the management company in the management of a contractual fund, and data on the natural person who makes directly the investment decisions (investment advisor).

1.7. Data on the depository bank, including:

a) business name, seat and registered office, telephone (fax), e-mail and web-site, if any;

b) date of incorporation of the company; number and date of the license to pursue bank activity;

c) substantial conditions of the contract with the investment company, or with the management company managing the contractual fund.

1.8. Data on the auditors:

a) name, respectively business name, seat and registered office of the auditors for the preceding 3 years;

b) if the auditors have quitted, have been discharged or reappointed, information on these facts shall be disclosed.

1.9. Indication of the financial institution, founder of the investment company, if any.

1.10. Data on the persons that possess directly or through related persons more than 10 per cent of the shares of the investment company, or may exercise control over it:

a) for the natural persons - forename, patronymic and surname, number of voting shares and their percent of the votes in the general meeting of the company, respectively ways of control over it;

b) for the legal entities – business name, seat and registered office, number and lot of entry in the commercial register, BULSTAT code, or Unified Identification Number, tax number, number of voting shares and their percentage from the votes in the general meeting of the company, respectively ways of control over it.

1.11. Information about external advisors to whom is paid with funds of the investment company, or of the contractual fund:

a) business name of the company, or respectively names of the advisor;

b) substantial provisions in the contract with the advisors which may have relation to the shareholders, or the unitholders, with the exception of the provisions concerning the remuneration.

1.12. The names of the persons bearing responsibility for the drawing up of the prospectus, or of certain parts thereof, as well as a statement from these persons that after taking due care and as far as known to them, the information presented in the prospectus is not false, misleading or incomplete.

2. Investment information:

2.1. Description of the investment objectives, including financial aims (for instance, increase of the capital or the revenues), investment policy (for example, specialization by regions, sectors and financial instruments) and any restriction of the investment policy and indication of the techniques and instruments, or possibilities of loan utilizing, which can be used in the management of the investment company and the contractual fund.

2.2. Risk profile of the investment company and the contractual fund.

2.3. Rules of asset valuation.

2.4. Description of the investment activity of the investment company and the contractual fund for the last 3 years, immediately preceding the year of issuance or updating of the prospectus, and if 3 years have not passed – for the relevant period, including:

a) data on the volume, structure and dynamics of the assets of the investment company and the contractual fund, including availability of securities from one or other type – in total and by type of assets;

b) (Am. – SG, iss. 29 in 2008) data on the structure of the investment portfolio by sectors;

c) selected financial information for each of the past 3 years, including:

aa) net asset value per share, or unit in the beginning of the period;

bb) (Am. – SG, iss. 29 in 2008) income from investment transactions per one share, or unit: net profit (loss) from investments; net profit or loss (realized or unrealized); total balance from the investment transactions;

cc) dividends and other distributions per share, or unit; dividends from the net profit from investments; capital gain distributions, total dividends and distributions;

dd) net asset value per share, or unit at the end of the period;

ee) total return per one share, or unit;

ff) additional data: total net assets at the end of the period;

ratio of the expenses to the average value of the net assets;

ratio of the net profit (loss) to the average value of the net assets; portfolio's turnover in percent;

d) minimum, maximum and weighted average issue value and redemption price for an investment company and the contractual fund for each of the last preceding 3 years;

- e) number of shares, or units outstanding at the end of the year as well as number of issued, sold and redeemed shares, respectively units for each of the last preceding 3 years;
- f) data about the granted and used loans, including amount, term of the loan and interest thereon, utilized part of the loan, paid interests and amount of the non-repaid loan;
- g) statement that the value of the shares and units and the yield thereof may decrease and that the profit is not guaranteed and investors assume the risk not to refund their investments in their total amount as well as that the investments in the investment company and the contractual fund are not guaranteed by a guarantee fund and that the previous results from the activity have no relation to the future results.

2.5. Characteristic of the typical investor to whom the activity of the investment company and the contractual fund is directed.

2.6. Category of assets in which the investment company and the contractual fund are allowed to invest, including:

- a) information whether it has right to execute transactions with derivative financial instruments; in case that the articles of association of the investment company and the rules of the contractual fund allow the execution of such transactions – information if these transactions may be executed with the purpose of risk hedging, or with the purpose of achieving the investment objectives of the investment company and the contractual fund;
- b) information on the possible consequences of the use of financial derivative instruments for the risk profile of the investment company and the contractual fund.

2.7. Where the investment company and the contractual fund invest mainly in categories of assets under Art. 195 of the LPOS, other than securities and money market instruments, or reproduce an index composed of equity or debt securities – indication of that aspect of its investment policy.

2.8. If the net asset value of the investment company and the contractual fund is possible to be subject to fluctuations (volatility) due to the composition or the techniques of management of their portfolio – indication of that circumstances.

3. Economic information

3.1. Taxation

3.2. Fees (commissions) upon purchase and sale of shares and units

3.3. Other possible costs or fees, differentiated between those owed by the shareholders and unitholders and those that have to be paid with funds of the investment company and the contractual fund

3.4. Data on the expenses of the investment company and the contractual fund for the last 3 years preceding the year of issue or updating of the prospectus, and in case that 3 years have not passed yet – for the respective period, given as a total amount and as percentage ratio towards the average book net asset value for the relevant year and including:

- a) annual remuneration of the management company;
- b) paid commissions to investment intermediaries;
- c) annual remuneration of the depository bank;
- d) annual remuneration of the members of the management and supervisory bodies of the investment company;
- e) annual remuneration of the auditor that certified the annual financial statement;
- f) other expenses of the investment company;
- g) total amount of all expenses according the preceding sub items.

3.5. If the investment company and the contractual fund invest substantial part of their assets according to Art. 197 para 3 of the LPOS – the maximum amount of the remuneration for management of the management company and/ or the other company, which is paid by the investment company and the contractual fund, and the collective investment scheme in which the investment company and the contractual fund intend to invest.

4. Commercial information

4.1. Conditions and procedure for issue and sale of shares and units;

4.2. Conditions and procedure for redemption of shares and units and the circumstances in which the redemption can be suspended, as well as:

a) indication of the stock exchanges or markets (if any), on which the shares of the investment company and the units of the contractual fund are admitted to trading;

b) procedure for transfer of shares and units.

4.3. Conditions and procedure for calculation of the issue value and the redemption price of the shares and units, and in particular:

a) method and frequency of calculation of these prices;

b) information on the costs for the issue and redemption of the shares and units;

c) frequency, place and manner of publishing this information.

4.4. In case of investment companies with different investment departments – the conditions and procedure for passing from one investment department to another and the due fees.

4.5. Description of the rules of income determination. Conditions and procedure for distribution of the dividends from shares of the investment company (if applicable).

5. Information on access to the reports:

Detailed information about the places where the annual and interim financial statements, activity reports and auditor's reports are accessible (including address, telephone, working time and contact person), including indication of the respective registers and addresses of the web sites on which the reports are published or accessible.

6. Additional information

6.1. Supervisory state authority; number and date of the license to pursue the business of investment company and the authorization for organizing and managing the contractual fund.

6.2. Number and lot of entry in the commercial register, unified identification code and tax number; the place where the articles of association and the other acts of incorporation of the investment company, respectively the rules of the contractual fund are accessible for the investors.

6.3. Information on the capital and shares and units:

a) amount of the capital with which the investment company and the contractual fund are incorporated;

b) way of increasing or reduction of the capital, if there has been such, quorum and majority for taking a decision in this sense according the articles of association of the investment company and the rules of the contractual fund;

c) number and nominal value of the shares and the units upon establishment of the investment company and the contractual fund;

d) the circumstances in which decision can be taken for winding-up of the investment company and the contractual fund, as well as procedure in case of winding-up, considered in relation to the rules of the shareholders and the unitholders.

6.4. Indication of the central daily newspaper which shall be used by the investment company for publishing the invitation for convening of the general shareholders' meeting, including the central daily newspaper under Art. 190 of the LPOS for the investment company and the contractual fund.

6.5. Information on the place, time and manner in which additional information may be obtained, including address, telephone, working time and contact person.

6.6. Date of the prospectus publishing.

Supplement No. 5 to Art. 73b, para. 2
(New – SG, iss. 82 in 2007)

**Content of the Simplified Prospectus of an Open-end Investment Company and
a Contractual Fund**

1. Data on the investment company and the contractual fund;
 - 1.1. Business name, seat and registered office; date of incorporation; number and date of the license to pursue the business of investment company, respectively the business name, date of incorporation, number and date of the authorization for organizing and management of a contractual fund.
 - 1.2. In case that the investment company has different investment departments that circumstance has to be noted.
 - 1.3. Term of existence of the investment company and the contractual fund, if such has been envisaged.
 - 1.4. Data on the management company including business name, seat and registered office, telephone (fax), e-mail and web-site, if any.
 - 1.5. Data on the depository bank, including the business name, seat and registered office, telephone (fax), e-mail and web-site, if any.
 - 1.6. Data on the auditors, including name, respectively business name, seat and registered office.
 - 1.7. Data on the financial group (bank), founder of the investment company (if any).
2. Investment information:
 - 2.1. Concise description of the objectives of the investment company and the contractual fund.
 - 2.2. Investment policy and concise description of the risk profile of the investments (including, if relevant, the information under item 2.6 – 2.8 of Appendix No. 7).
 - 2.3. Historical data about the activity of the investment company and the contractual fund (if applicable) and warning that they are not an indicator of future results – this information may be included in the prospectus or to be enclosed thereto.
 - 2.4. Characteristic of the typical investor to whom the activity of the investment company and the contractual fund is oriented.
3. Economic information:
 - 3.1. Tax regime
 - 3.2. Fees (commissions) upon purchase and sale of shares and units.
 - 3.3. Other possible expenses and fees, differentiating between those that are paid by the shareholder and those paid by the investment company and the contractual fund.
4. Commercial information:
 - 4.1. Conditions and procedure for purchase and sale of shares and units.
 - 4.2. In case that the investment company and the contractual fund have different investment departments, conditions and procedure for passing from one department to another and the fees due for that.
 - 4.3. Conditions and procedure for distribution and payment of the dividends from shares of the investment company and for distribution and payment of the contractual fund's yield (if applicable).
 - 4.4. Frequency, place and way of publishing or disclosing of information on the issue value and the redemption price of the shares and units.
5. Additional information:
 - 5.1. Indication that the full prospectus as well as the annual and quarterly reports can be obtained by the investors free of charge before the conclusion of a contract or thereafter as well as information about the places where the annual and interim financial statements, activity reports and auditor's reports are accessible (including address, telephone, working

time and contact person), including indication of the respective registers and web-site addresses, on which the reports are published or are accessible.

5.2. Supervisory state authority.

5.3. Information on the place, time and way in which further information can be obtained, including address, telephone, working time and contact person.

5.4. Date of the prospectus publishing.