# ACT ON THE SPECIAL INVESTMENT PURPOSE COMPANIES

(Promulgated, State Gazette, issue No. 46 dated May 20, 2003, amended, issue No. 109 dated December 16, 2003, effective from January 1, 2004, amended and supplemented, issue No. 107 dated December 7, 2004, effective from December 7, 2004, SG No. 34/25.04.2006, effective 1.01.2008, (*) SG No. 80/3.10.2006, effective 3.10.2006, amended, SG No. 105/22.12.2006, effective 1.01.2007, SG No. 52/29.06.2007, effective 1.11.2007, (*) SG No. 53, 30.06.2007, effective 30.06.2007)

## Chapter One
## GENERAL PROVISIONS

Subject matter

**Art. 1.** This Act shall regulate relationships connected with the securitization of real property and receivables through companies, which have obtained a license for the performance of activity as special investment purpose companies as well as with their incorporation, activity and termination.

Objective

**Art. 2.** The Act's objective shall be:

1. to establish conditions for the development of investment through securitization of real property and receivables as well as for the development of the capital market;

2. to ensure protection of the interest of investors in the special investment purpose companies.

## Chapter Two
## INCORPORATION AND LICENSING OF SPECIAL INVESTMENT PURPOSE COMPANIES
### Definition

**Art. 3.** (1) The special investment purpose company shall be a joint-stock company which subject to the conditions and the procedure set forth in this Act shall invest cash, raised through the issuance of securities, in real property or in receivables (securitization of real property and receivables).

(2) The trade name of the special investment purpose company shall include the designation "special investment purpose joint-stock company" or the abbreviation "SIPJSC".

Objects of Activity

**Art.4.** (1) The special investment purpose company may perform the following transactions:

1. raising of cash through the issuance of securities;

2. purchase of real property and property rights over real estates, carrying out of construction works and improvements, for the purpose of making them available for management, letting, leasing or tenancy and selling them, or purchase and sale of receivables.

(2) The special investment purpose company shall not perform any other commercial transactions besides those specified in paragraph 1 and those directly related thereto unless such transactions are permitted by this Act.

(3) The special investment purpose company may not acquire real property or receivables, which are the subject matter of litigation.

(4) The real property acquired by the special investment purpose company must be located on the territory of the Republic of Bulgaria.

(5) The receivables acquired by the special investment purpose company must:

1. be payable by local persons;

2. not be the subject of enforcement proceedings.

(6) A special investment purpose company may securitize exclusively real property only or exclusively receivables only.

Incorporation

**Art. 5.** (1) The special investment purpose company shall be incorporated only in accordance with the procedure set out in Art. 163 of the Commercial Act. The number of promoters may not exceed 50 persons.

(2) At least 30 per cent of the capital must be necessarily subscribed by institutional investors for the purpose of incorporating a special investment purpose company.

(3) In case of incorporation of a special investment purpose company the constituent meeting shall obligatorily pass a resolution for initial increase of the capital with the same class of shares of stock as those subscribed at the constituent meeting as of the moment of issuance of the license to the company under Art. 11. The increase should amount to no less than 30 per cent of the capital of the company.

(4) (Am. – SG, iss.34, 2006) The special purpose investment company shall inform the Financial Supervision Commission about its entry in the commercial register within 7 days from entry.

Capital and Shares of Stock

**Art. 6.** (1) The capital of the special investment purpose company shall not be less than 500 000 Levs.

(2) The capital subscribed at the constituent meeting must be fully paid-in as at the moment of filing of the application for registration with the Commercial Register.

(3) The contributions to the capital may only be in cash.

(4) The shares of stock of the special investment purpose company shall be dematerialized. Art. 185, paragraph 2, second sentence of the Commercial Act shall not be applicable.

(5) The special investment purpose company may not issue preferred shares of stock giving the right to more than one vote.

(6) The capital of the special investment purpose company may not be subject to reduction through forcible cancellation of shares of stock.

(7) The increase of the capital under Art. 197 of the Commercial Act shall not be admissible.

Articles of Association

**Art. 7.** In addition to the particulars required by the Commercial Act, the Articles of Association of the special investment purpose company shall also contain:

1. the term for which the company is established;

2. the type of assets that the company will securitize;

3. the investment objectives of the company;

4. the restrictions applying to the type of real property in which the company may invest, accordingly to the type of receivables and their collateral security if such have been provided for.

5. the maximum amount of the expenses for the management of the company in correlation to the value of the assets as per the balance sheet of the company;

6. the rules for the determination of the remuneration of the members of the Board of Directors as well as of the fees of the servicing companies;

7. the rights and obligations of the servicing companies.

Management

**Art. 8.** (1) The special investment purpose company shall be managed and represented by a Board of Directors.

(2) The members of the Board of Directors must have a higher education degree and they must not:

1. have been convicted for a wilful crime of general nature;

2. have been declared bankrupt in the capacity of a sole proprietor or unlimited liability partner in a commercial company and they must not be involved in any bankruptcy proceedings;

3. have been members of a managing or supervisory body of a company or a co-operative society terminated due to bankruptcy during the last two years preceding the date of the decision for the declaration of the bankruptcy where there are unsatisfied creditors;

4. be deprived of the right to occupy positions involving financial responsibilities;

5. be spouses or relatives with one another in a direct or collateral line up to the third degree inclusive or with a member of a managing or supervisory body of the servicing company.

(3) The requirements under paragraph 2 shall also apply to any natural persons who represent the legal persons, which are members of the Board of Directors.

(4) An affidavit, a diploma for higher education and a conviction status certificate shall be presented for the purpose of establishing the circumstances under paragraph 2.

Raising and Safekeeping of Cash

**Art. 9.** (1) The sums accruing from the issuance of securities shall be transferred by the persons who have purchased the securities to a bank account specifically opened by the special investment purpose company.

(2) The cash and the securities of the special investment purpose company shall be kept in a depositary bank.

(3) The depositary bank shall make all payment for the account of the company subject to compliance with the terms and conditions provided for in its Articles of Association and the prospectus for public offering of securities.

(4) The requirements under Art. 173 of the Law on the Public Offering of Securities shall apply *mutatis mutandi* to the depositary bank.

Distribution of Profit

**Art. 10.** (1) (Supplemented – SG, issue No. 107 of 2004) The special investment purpose company shall distribute as dividends no less than 90 per cent of the profit for the financial year, determined in accordance with the procedure under paragraph 3 and in compliance with the requirements of Art. 274a of the Commercial Act. Art. 246, paragraph 2, item 1 of the Commercial Act shall not be applicable.

(2) The dividends shall be paid within a term of 12 months following the end of the respective financial year.

(3) (Repealed – SG, issue No. 107 of 2004, new, issue No. 107 of 2004) The profit subject to distribution shall be the financial result (accounting profit/loss), adjusted as follows:

1. increased/decreased with the expenses/revenues from subsequent assessments of real estates;

2. increased/decreased with the losses/profits from transactions involving the conveyance of title to real property;

3. increased/decreased in the year of conveyance of title to real property with the positive/negative difference between:

a) the sales price of the real estate, and b) the amount of the historic price of the real estate and the subsequent expenses, which have led to an increase of its balance sheet amount;

4. increased/decreased with the losses/profits from sales accounted for in the year of concluding of financial leasing contracts;

5. increased/decreased in the year of expiration of the term of the financial leasing contract with the positive/negative difference between:

a) the revenue from the sale of the real estate, registered in the beginning of the term of the financial leasing contract, and

b) the amount of the historic price of the real estate and subsequent expenses, which have led to an increase of its balance sheet amount.

(4) (Repealed – SG, issue 109 of 2003).

Issuance of a License

**Art. 11.** (1) Not later than 6 months from the date of entry of the special investment purpose company in the Commercial Register the members of the Board of Directors shall file an application with the Financial Supervision Commission for the issuance of a license as a special investment purpose company by the instrumentality of filling in a model form determined by the commission, wherewith shall be enclosed:

1. the Articles of Association and the other constitutive instruments;

2. the prospectus for the mandatory increase of the capital through public offering of securities under Art. 5, paragraph 3;

3. documents certifying the observance of the requirements set forth in Art. 8, paragraph 2 by the members of the Board of Directors of the company and by the persons empowered to manage and to represent it;

4. the contract with the depositary bank;

5. the names or trade names and the particulars about the persons who hold, directly or through related parties, more than 5 per cent of the voting shares; the persons shall submit affidavits in writing with regard to the origin of the funds serving as a source of the contributions made for the shares of stock subscribed, including whether these are borrowed funds, as well as about the taxes paid by the persons over the preceding 5 years.

(2) The Financial Supervision Commission shall issue a license and it shall confirm the prospectus within a term of one month from the submission of the application and where additional information has been requested – within 14 days from its receipt. The Commission may require only once the removal of inconsistencies and/or the filing of additional information.

(3) The Financial Supervision Commission shall refuse to grant a license, where:

1. the prospectus for public offering of securities, the servicing company, the depositary bank or the contract under paragraph 1, item 4 fail to satisfy the requirements of this law, of the Public Offering of Securities Act and the acts of the secondary legislation for their implementation;

2. the persons which hold more than 5 per cent of the shares of stock or who may exercise control over the company, through their activity or their influence on decision-making, might endanger the safety of investments;

3. the company fails to satisfy the minimum capital requirements;

4. the members of the Board of Directors and the persons empowered to manage and represent the company fail to satisfy the requirements under Art. 8, paragraph 2;

5. other requirements of the law have not been complied with or the interests of investors have been imperilled.

Prospectus

**Art. 12.** (1) The prospectus for the public offering of securities by the special investment purpose company shall contain data about the company, its activity and the offered shares of stock in accordance with the provisions of the Law on the Public Offering of Securities and the acts of the secondary legislation for its implementation as well as:

1. about the investment objectives and restrictions of the investment policy;

2. description of the criteria to which correspond the real property, respectively the receivables in which the company will invest as well as the characteristics of the acquired real property, respectively receivables;

3. about any other sources of financing if such have been provided for;

4. the maximum amount of the estimated external financing in correlation to the amount of equity;

5. data about the depositary bank and the terms and conditions to which the servicing companies should correspond;

6. amounts or the method for determination of the remuneration of the members of the Board of Directors as well as of fees of the servicing companies;

7. the maximum allowed amount of the expenses for the management of the company in correlation to the value of assets as per the balance sheet of the company;

8. the additional investments and costs that are necessary for the assets to be put in operation;

9. additional facts and circumstances provided for in an Ordinance of the Financial Supervision Commission.

(2) (Am. – SG iss.105, 2006) The members of the board of directors, the managerial agent of the company, as well as the investment intermediary shall be jointly and severally liable for the damages caused by false, misleading or incomplete data contained in the prospectus. The person under Art. 34 Para. 2 of the Accountancy Act shall be liable jointly and severally with the persons referred to in the first sentence for damages caused by false, misleading or incomplete data contained in the financial reports of the special purpose investment company, and the registered auditor - for the damages caused by the financial statements audited by him.

Initial Increase of the Capital

**Art. 13.** (1) (Am. – SG, iss.52, 2007) The initial increase of the capital of the special investment purpose company shall be performed only subject to confirmation of a prospectus by the Financial Supervision Commission.

(2) In case of initial increase of the capital, rights as defined in § 1, item 3 of the Law on the Public Offering of Securities shall be issued. One right shall be issued against each share of stock participating in the increase.

(3) (Am. – SG, iss.52, 2007) The initial increase of the capital shall be managed by an investment intermediary whose capital is not less than that provided for in Article 8 (1) of the Markets in Financial Instruments Act. The entire issue of rights under paragraph 2 shall be offered by the investment intermediary for public trading on a regulated market.. In the case of initial increase of the capital the provisions of Art. 112, paragraph 1 of the Law on the Public Offering of Securities and Art. 194 of the Commercial Act, shall not be applicable.

(4) The special investment purpose company shall forward a notice to the regulated market where its shares of stock will be offered. The notice shall contain the initial date from which the offering of the rights will commence, the time limits within which it will be executed as well as information regarding the number and the nominal and the issue value of the shares which will be subject to subscription.

(5) The notice under paragraph 4 must be sent not later than 30 business days from the date of issuance of the license for the performance of activity as a special investment purpose company.

(6) The regulated market shall list the rights under paragraph 2 for trading.

(7) The time period for the subscription of the shares of stock under paragraph 1 shall be at least 30 days. The beginning of the time period for the subscription of shares shall coincide with the beginning of the time period for the transferal of the rights. The time period for the subscription of the shares of stock shall expire at least 15 business days after the expiration of the time period for the transferal of the rights.

(8) The initial increase of the capital shall be effected up to the amount of the subscribed shares of stock.

Change of Trade Name in the Case of Non-Issuance of a License

**Art. 14.** (1) (Am. - SG, iss.34, 2006) The Financial Supervision Commission shall send to the Registry Agency the enacted refusal to issue licence.

(2) (Am. - SG, iss.34, 2006) In the cases where the Financial Supervision Commission does not receive an application under Art. 11, paragraph 1 within 6 months from the date of the entry of the special investment purpose company in the Commercial Register, then it shall notify the Registry Agency about that.

(3) (Am. - SG, iss.34, 2006) Upon notification under paragraph 1 or 2, the Registry Agency shall ex officio change the trade name of the special investment purpose company and the designation “special investment purpose joint-stock company” or the abbreviation “SIPJSC” shall be replaced by “joint-stock company”, respectively by “JSC”.

Change in the Organizational Constitution and the Management

**Art. 15.** (1) Any amendments of the Articles of Association and the other constitutive instruments of the special investment purpose company as well as the replacement of the depositary bank and the servicing company shall be allowed subject to the approval thereof by the Financial Supervision Commission.

(2) The Financial Supervision Commission shall issue or shall refuse to issue an approval under paragraph 1 within 14 days from the submission of the application and the enclosures therewith and in the case where additional particulars have been requested – from their receipt. The commission shall refuse to issue an approval where the requirements of the law and the acts of the secondary legislation for its implementation have not been complied with. The refusal shall be reasoned in writing.

(3) (Am. - SG, iss.34, 2006) The court shall enter the amendment of the statutes in the Commercial Register following presentation of the approval under paragraph 1.

Withdrawal of a License

**Art. 16.** (1) The Financial Supervision Commission shall withdraw the license issued in the cases where the special investment purpose company:

1. fails to commence the activity authorized within 12 months from the date of the issuance of the license;

2. has submitted false particulars which have served as grounds to issue the license;

3. fails to satisfy the conditions under which the license has been issued;

4. violates systematically the provisions of this law or the acts of the secondary legislation for its implementation.

(2) The Financial Supervision Commission shall notify the company in writing within 7 days from taking the decision for the withdrawal of the license.

(3) Following the entry of the decision for the withdrawal of the license into force, the Financial Supervision Commission shall forthwith file a request with the relevant district court for the initiation of liquidation proceedings concerning the special investment purpose company and the Commission shall undertake the necessary measures to notify the public.

## Chapter Three
## REQUIREMENTS FOR THE ACTIVITY OF A SPECIAL INVESTMENT PURPOSE COMPANY

Due Diligence

**Art. 17.** (1) The management of the assets of the special investment purpose company shall be performed with the due diligence of a good merchant, treating with priority the interest of the shareholders over its own interest and maintaining an optimal correlation between eliability and profitability.

(2) The members of the Board of Directors of the special investment purpose company shall be obliged to insure the real property immediately following its acquisition.

Servicing Companies

**Art. 18.** (1) The special investment purpose company may not directly carry out the operation and maintenance of the acquired real property or the collection of acquired receivables.

(2) The special investment purpose company shall assign to one or more commercial companies, which have in place the necessary organization and resources (servicing company) the servicing and the maintenance of the acquired real property, the implementation of constructions and improvements, respectively the servicing of the acquired receivables, bookkeeping and safekeeping of accounting and any other reports and correspondence as well as the performance of any other necessary activities.

(3) The servicing companies shall ensure the performance of the activities under paragraph 2 in compliance with the law and the Articles of Association of the special investment purpose company.

(4) The servicing company may not offset its fee against funds of the special investment purpose company.

(5) The Financial Supervision Commission shall conduct inspections of the servicing companies under the terms and in accordance with the procedure laid down in Art. 18 and Art. 19 of the Financial Supervision Commission Act.

Appraisal of Real Property and Receivables

**Art. 19.** (1) Prior to the acquisition of real property and receivables the special investment purpose company shall assign their appraisal to experts with qualification and experience in this sphere.

(2) The appraisal may not be assigned to a person who:

1. holds directly or indirectly shares in the special investment purpose company;

2. is a member of the Board of Directors of the special investment purpose company;

3. is a related party to a member of the Board of Directors or to a person which holds directly or indirectly more than 5 per cent of the shares of stock of the special investment purpose company;

4. is a vendor of the real property, a member of the managing or supervisory body, a partner or a shareholder in the vendor, as well as a related party to the vendor, to a member of its managing or supervisory body, to its partner or shareholder;

5. may be influenced by any other form of dependence or a conflict of interests.

(3) The appraisers shall present an affidavit for lack of the circumstances under paragraph 2 .

(4) The appraisers shall be liable for any damages caused through their fault to the company or its shareholders which result from their inaccurate appraisal.

(5) The prices at which the special investment purpose company acquires real property or receivables may not be considerably higher and the prices at which they sell them may not be considerably lower than the value arrived at in the appraisal performed except in extraordinary circumstance. In this case the persons that manage and represent the company must give explanation of their actions in the next periodical report.

Subsequent Appraisals of Real Property and Receivables

**Art. 20.** (1) (Previous text of Art. 20 –SG, issue No. 107 of 2004) The real property or receivables owned by the special investment purpose company shall be subject to appraisal at the end of each financial year or upon any occurrence of a change of more than 5 per cent in the index of the real property prices or in the index of inflation determined by the National Statistical Institute. Art. 19 shall be applied accordingly.

(2) (New – SG, issue No. 107 of 2004) The appraisals in accordance with the procedure under paragraph 1 shall be represented in the financial statements of the special investment purpose company in conformity with the requirements of the accountancy legislation.

General Restrictions

**Art. 21.** (1) The special investment purpose company may not secure any third party's obligations or extend any loans.

(2) The special investment purpose company may:

1. issue debt securities, listed for trade on a regulated market;

2. borrow bank loans for the acquisition and putting into operation of the assets earmarked for securitization;

3. borrow bank loans amounting up to 20 per cent of the balance sheet value of the assets which are used for the payment of interest provided the loan is maturing not later than 12 months.

(3) The special investment purpose company may invest up to 10 per cent of its capital in the servicing company.

Investment of Free Funds

**Art. 22.** (1) The special investment purpose company may invest its free funds in securities issued or guaranteed by the Bulgarian state as well as in bank deposits.

(2) The special investment purpose company for securitization of real property may invest up to 10 per cent of its assets in mortgage bonds.

(3) The company with a special investment purpose may not acquire any equity stakes in any other companies except in the cases under Art. 21, paragraph 3.

(4) The special investment purpose company may not operate on the capital market by investing in assets other than those specified in paragraphs 1 and 2 or perform repurchases under the procedure laid down in Art. 111, paragraph 5 of the Law on the Public Offering of Securities.

Limit on the Acquisition of New Assets for Securitization

**Art. 23.** The special investment purpose company may acquire any new asset or assets for the purpose of securitization only in the case where that has been provided for in the Articles of Association and in the prospectus for public offering of securities.

Protection of Company's Property

**Art. 24.** Articles 646 – 649 of the Commercial Act shall not apply to real property and receivables sold to a special investment purpose except company in the cases where the transactions have been concluded in contravention of Art. 4 and 19 of this law.

## Chapter Four
## DISCLOSURE OF INFORMATION AND CONFLICT OF INTERESTS

Disclosure of Information

**Art. 25.** (1) The special investment purpose companies for securitization of real property in addition to the information which they disclose as public companies, shall also publish in their quarterly and annual reports:

1. information with regard to the share of assets lent for use against payment in relation to the total amount of securitized assets;

2. information with regard to the sale or purchase of any new asset whose value exceeds by 5 per cent the value of the securitized assets;

3. any other information provided for in an Ordinance of the Financial Supervision Commission.

(2) The special investment purpose companies for securitization of cash receivables in addition to the information which they disclose as public companies, shall also publish in their quarterly and annual reports:

1. the share of bad debt in relation to the sum total of securitized receivables;

2. the type and amount of the collateral security and the time period to maturity of receivables with regard to receivables exceeding 10 per cent of their sum total;

3. the average amount of the collateral security in relation to the sum total of the receivables;

4. the average weighted time period of the payments of interest and principal amounts of the securitized receivables;

5. the classification of the receivables specified in the Ordinance under paragraph 1, item 3;

6. any other information laid down in the Ordinance under paragraph 1, item 3.

(3) The special investment purpose companies that possess interests or shares of stock in the servicing company, shall also incorporate in their quarterly and in their annual reports the financial statements concerning the activities of the servicing company.

Conflicts of Interest

**Art. 26.** (1) The persons that manage and represent the special investment purpose company, shall perform their obligations in good faith and they shall owe due diligence for the protection of the interests of the investors, treating with priority the interest of the company over their own interest.

(2) The persons under paragraph 1 shall be obliged each year to file with the Financial Supervision Commission statements with regard to their proprietary and business interests.

(3) The persons under paragraph 1 shall be obliged to avoid conflicts between their own interest and the interest of the company and where such conflicts do emerge – to disclose them in due time in a manner that is accessible for the investors as well as not to participate in any decision-making in such cases.

(4) The persons that manage and represent the company shall keep confidential the commercial secrets of the company in those cases as well where they have lost their capacity of board members until public disclosure of the relevant circumstances.

## Chapter Five
## REORGANIZATION AND TERMINATION OF A COMPANY WITH A SPECIAL INVESTMENT PURPOSE

Reorganization

**Art. 27.** (1) The special investment purpose company may neither reorganize itself into any other type of commercial company nor change its objects of activity.

(2) The reorganization through consolidation or merger shall be effected subject to authorization from the Financial Supervision Commission only between special investment purpose companies that securitize assets of one and the same type.

(3) The reorganization through splitting or spin-off shall be effected subject to authorization

from the Financial Supervision Commission in which case the newly established company or newly established companies shall also be special investment purpose companies.

Termination

**Art. 28**. (Am. – SG, iss.52, 2007) The special investment purpose company shall be terminated upon expiration of the term provided for in the Articles of Association or subject to resolution of the general meeting

only on the grounds provided for in the Articles of Association and in the prospectus for the issuance of securities. The termination of the company shall be subject to authorization by the Financial Supervision Commission. The persons determined as receivers or trustees in bankruptcy of the special investment purpose company shall be approved by the Financial Supervision Commission. Articles 21 and 23 of the Markets in Financial Instruments Act shall be applied accordingly.

Issuance of Authorization

**Art. 29.** (1) (Am. – SG, iss.52, 2007)An application form shall be filed for the issuance of an authorization under Art. 27 and 28. The Financial Supervision Commission shall deliver a decision on the application within 14 days of its submission and where additional information and documents have been requested – within 7 days from their receipt. Article 177 (4) and (5) of the Public Offering of Securities Act shall be applied accordingly.

(2) The Financial Supervision Commission shall refuse to grant an authorization for the reorganization or termination in the cases where the interests of the investors have not been protected. The applicant shall be notified in writing about the decision taken within a term of three days.

(3) The terms and conditions and the procedure for the issuance of an authorization under Art. 27 and 28 shall be laid down in an Ordinance of the Financial Supervision Commission.

## Chapter Six
## COERCIVE ADMINISTRATIVE MEASURES AND ADMINISTRATIVE PENAL LIABILITY

Coercive Administrative Measures

**Art. 30.** (1) The provisions of Art. Art. 212-220 of the Law on the Public Offering of Securities shall be applicable to the special investment purpose companies, with the exclusion of the provisions of Art. 212, paragraph 1, item 4 and paragraphs 2-6.

(2) The provision of Art. 212, paragraph 1, item 1 of the Law on the Public Offering of Securities shall be applicable to servicing companies.

Administrative Penal Liability

**Art. 31.** (1) Any person who commits or tolerates the perpetration of a violation of:

1. Art. 3, paragraph 3, Art. 8, paragraphs 2 or 3, Art. 12, paragraph 1 and Art. 26, paragraph 2 shall be subject to punishment with a fine amounting from 500 to 2000 Levs;

2. Art. 4, paragraphs 2, 4 or 5, Art. 5, paragraph 3, Art. 6, paragraph 5, 6 or 7, Art. 21, Art. 22 and Art. 26, paragraphs 1, 3 or 4 shall be subject to punishment with a fine amounting from 2000 to 5000 Levs;

3. Art. 4, paragraph 6, Art. 9, paragraph 3, Art. 10, 19, 20 and 23 shall be subject to punishment with a fine amounting from 5000 to 10 000 Levs.

(2) In cases of repeated violation under paragraph 1 the fine shall be respectively doubled as to its amount.

(3) For any violation under Art. 1 a financial sanction shall be imposed on legal persons and sole proprietors, as follows:

1. under item 1 – from 1000 to 5000 Levs and in the case of repeated violation – from 2000 to 10 000 Levs;

2. under item 2 – from 2000 to 10 000 Levs and in the case of repeated violation – from 10 000 Levs to 20 000 Levs;

3. under item 3 – from 10 000 Levs to 20 000 Levs and in the case of repeated violation – from 20 000 Levs to 30 000 Levs.

(4) In case of failure to comply with any coercive administrative measure imposed pursuant to Art. 30 the perpetrators and the accessories having allowed such incompliance shall be subject to punishment with a fine amounting from 2000 to 10 000 Levs.

(5) The statements of findings establishing the violations shall be drawn up by officials authorized by the Chairman of the Financial Supervision Commission and the penalty warrants shall be issued by the Chairman of the Commission. The establishment of violations, the issuance, the appeal and the enforcement of the penalty warrants shall be carried out in accordance with the Law on Administrative Violations and Penalties.

ADDITIONAL PROVISION

**§1.** For the purposes of this law:

1. “Securitization” is an activity where property rights (right of ownership and building lease) in real property or rights to cash receivables, including future receivables, shall be materialized in securities offered publicly.

2. “Expenses for the management of the company” shall be all expenses related to the management and the servicing, including expenses for the remuneration of the members of the Board of Directors of the company as well as expenses for the fees of the servicing companies, the registered auditor, the appraisers and the depositary bank.

3. “Local person” shall be:

a) a legal person seated in the country;

b) a legal person with a seat outside the country – for the activity in the country through a registered branch;

c) a natural person permanently residing in the country.

4. “Related parties” shall be the persons within the meaning of §1 of the Commercial Act.

5. “Repeated” is the violation perpetrated within a period of one year from the entry into force of the penalty warrant whereby the perpetrator has been punished for the same as a type violation.

TRANSITIONAL AND CONCLUSIVE PROVISIONS

**§2.** For issues left unregulated by this law the provisions of the Law on the Public Offering of Securities and the Commercial Act shall apply with the exclusion of Art. 204, paragraph 1 of the Commercial Act.

**§3.** Within 6 months from the entry into of force of the law the Financial Supervision Commission shall issue the ordinances for its implementation.

The law was adopted by the XXXIX National Assembly on the 7th of May 2003 and the official seal of the National Assembly has been affixed thereto.

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(*) Act to Amend the Commercial Register Act

(SG iss. No. 80/2006, effective 3.10.2006)

§ 1. In § 56 of the Transitional and Final Provisions the words "1 October 2006" shall be replased by "1 July 2007"

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(*)Act to amend the the Commercial Register Act

(SG,iss. 53/2007, effective 30.06.2007)

§ 1. In § 56 of the Transitional and Final Provisions the words "1 July 2007" shall be replased by "1 Janyary 2008".

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