

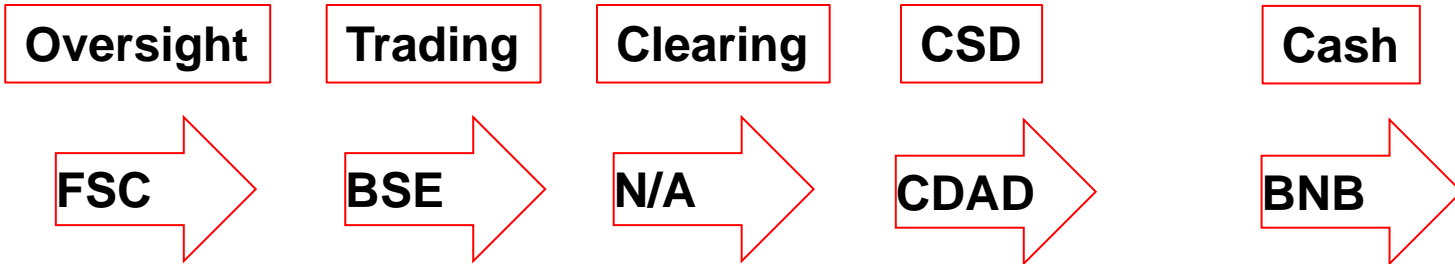
SEE Markets Roadshow BULGARIA

Luxembourg, April 28th & 29th , 2014

Borislav Hitov – Head of GSS Bulgaria

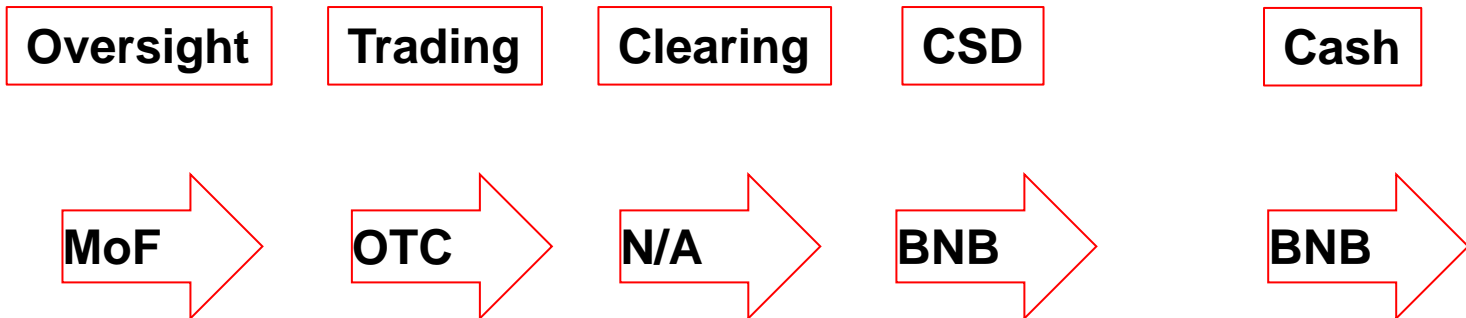
Bulgaria - The Market Structure

Central Depository AD



Account structure: client accounts opened in client's name through a CDAD member (segregated or omnibus)

Bulgarian National Bank



Account structure: single client omnibus account for each participant at BNB with segregation in CSD participant's books

Bulgaria - Key Market Participants

Financial Supervision Commission (FSC) has regulatory and controlling functions over the capital, insurance, health and pension insurance markets, aiming at the markets' stability and transparency, and protection of consumers

Ministry of Finance (MoF) is responsible for the government's debt Management policy. Together with BNB, MoF organises and regulates the market in government securities

Bulgarian Stock Exchange (BSE) is the only licensed stock exchange in Bulgaria where all types of instruments except government securities are traded

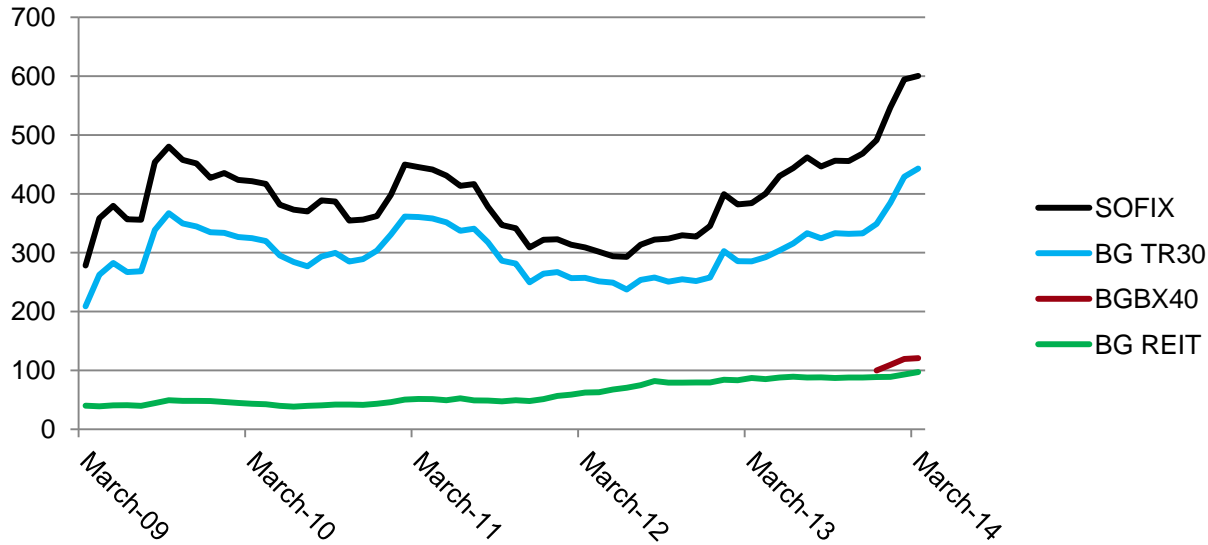
Clearing – at present, there is no clearing institution in Bulgaria

Central Depository AD (CDAD) is the CSD for all Bulgarian dematerialised securities except government securities

Bulgarian National Bank (BNB) is the central bank of Bulgaria. BNB functions as CSD and fiscal agent for Bulgarian government securities. BNB also operates the BGN RTGS payment system RINGS

Bulgaria - Market Trends

Stock Exchange Indices 5y Trend



Key Market Data

Equity Cap EUR 5.7 billion (March 2014)
 Equity trading EUR 858.1 million (2013)
 Bond trading EUR 155.5 million (2013)
 Other FI* trading EUR 13.5 million (2013)

Key Market Participants Data

No official statistics available

Bulgaria - Major Market Issues

- Infrastructure and operational challenge: CDAD pending 'effective' implementation of new rules and IT system to bring significant changes to post-trading infrastructure (1 July 2014)
 - Nominee concept: Clearer regulation sought
 - Settlement discipline: Automatic charge of delayed settlement penalties by CDAD; CDAD settlement guarantee fund; obligation for brokers to verify client positions before executing sale orders
 - Settlement risk: DVP settlement for client transactions with government securities sought
 - Corporate actions: No centralised source of information for corporate securities; voluntary events based on subscription forms and supporting documents
 - Proxy voting: Meeting-specific power of attorney legal requirement
 - Taxation: Issuer-specific requirements on tax relief at source for dividend payment for EU legal entities
 - T2S: Impact on local market
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Bulgaria - Latest market development, changes in the past 24 months

Changes in market infrastructure

- CDAD automatic procedure for delayed settlement fines and settlement guarantee fund
- CDAD web-based portal for announcement of corporate action and general meeting information
- T2S discussion initiated and NUG established
- Cooperation agreements of CDAD with Romanian Depozitarul Central and Austrian OeKB

Changes in the regulatory environment

- UCITS legislation
- Government securities legislation
- Corporate Income Tax Act
- Central Depository legislation
- Regulation for margin purchases, short selling and lending
- Public Offering of Securities Act

Impacts on clients

- Higher settlement discipline, lower fail rate
- Potential for facilitated information flow, reduced costs and operational risks
- To be decided whether/when Bulgarian CSDs will join T2S
- Possible dual listing

Impacts on clients

- AIFMD transposition, enhanced asset protection, new investment opportunities, possibly higher liquidity
- DVP settlement for EUR-denominated bonds, securities lending, common RDTE
- New tax benefits for non-resident investors
- Omnibus accounts and settlement finality regulation, establishment of a settlement guarantee fund
- All exchange-traded shares eligible for short selling, new collateral possibilities, margin requirements, restrictions
- Better investor protection, amended tender offer regime

Bulgaria - Expected changes in the next 24 months

Expected changes in the market infrastructure

- 'Effective' implementation of amended CDAD rules and IT system (by end of H1 2014)

- Finalisation of procedure for joint BSE-CDAD privatisation

Expected changes in the regulatory environment

- Amendments in local MIFID legislation
- Government securities legislation

Impacts on clients

- SWIFT communication and STP capabilities, new types of membership, settlement guarantee fund, market claims and buyer protection, settlement finality, centralised lending pool, etc.

- Further modernisation of market infrastructure, attracting new investors

Impacts on clients

- Further alignment with EU legislation, e.g. EU CRD IV; enhanced investor protection; wider scope of supervision for FSC
- DVP settlement for client transactions with government securities

Bulgaria - The major challenges

The major challenges in the coming 12 months

- Dealing with domestic infrastructure changes

- Planning for T2S related change

Lobbying/Taking actions

- Detailed review of amended CDAD rules, testing and custody system enhancement; CDAD to act as centralised source of corporate actions information

- Take part in discussions on CDAD joining