



PENKOV · MARKOV & PARTNERS

INTERNATIONAL LAW FIRM

SINCE 1990



**Financial market participants
in the context of COVID-19 –
Part II**

Following the recommendations of the Financial Supervision Commission (FSC) addressed to the securities issuers, which were published immediately after the declaration of the state of emergency on 13th March and aimed at maintaining the stability of the financial market and the financial instruments trade in line with the recommendations of the European Securities and Markets Authority (ESMA) regarding the impact of the spreading COVID-19 on the financial market participants, **legislative amendments were also adopted in the field of public companies and investment firms.**

1. Extended statutory terms under the Measures and Actions during the State of Emergency Act

On 24th March 2020, in issue No. 28 of the Bulgarian State Gazette, the Emergency Measures and Actions during the State of Emergency, declared with a decision of the National Parliament of 13th March 2020, Act (*the Act*) was published. Pursuant to § 45 and § 46

of the Transitional and Final Provisions of the Act, a number of statutory terms under the Public Offering of Securities Act (POSA) and under the Financial Instruments Markets Act (FIMA) were extended aiming to mitigate the influence of the wide-spreading COVID-19 pandemic on obliged entities, as follows:

1.1 the term for public disclosure and notification of the annual financial report of public companies, as well as for the consolidated financial report (under art. 100n, para. 1 and para. 2 POSA) – extended until **31st July 2020**;

1.2. the term for public disclosure and notification of the 6-month financial report of public companies, as well as for the 6-month consolidated financial report (under art. 100o, para. 1 and para. 2 POSA) – extended until **30th September 2020**;

1.3. the term for public disclosure and sending of a notification for the financial state of the company and notification on consolidated basis for the financial state of the



company (under art. 100o¹, para. 1 and para. 2 POSA) – extended until **30th September 2020**

1.4. the regular general meeting of the public company (under art. 115, para. 1 POSA) - shall be held until **30th September 2020**, rather than until the end of the first half of the year as it is usually;

1.5. the term for investment firms to present before the FSC and before the Investors Compensation Fund (ICF) a client assets report as of the last day of the previous month (under art. 77n, para. 12 POSA) – extended until the **end of the month** following the reporting period, rather than until the 10th day of the month as it is usually;

1.6. the term for the issuer to present a report for the fulfilment of its obligations pursuant to the conditions of the emission of bonds before the trustee of the bondholders, as well as the term for presenting a **3-month report for compliance with the conditions under the bond loan agreement before the regulated market where the bonds are offered and before the**

FSC, in case the issuer has not concluded a contract with a trustee of the bondholders (under art. 100e, para. 1, item 2 and under art. 100b, para. 8 POSA) - extended until **30th September 2020**;

1.7. the term for the Central Securities Depository AD to present a 6-month report before the FSC (under art. 139, para. 2, 2nd suggestion POSA) - extended until **30th September 2020**;

1.8. the term for the Investors Compensation Fund to present its annual financial report before the FSC and before the Court of Auditors (under art. 77h, para. 1, item 5 POSA) – extended until **30th September 2020**;

1.9. statutory terms for investment firms and for market operators under the Financial Markets Act, namely for presenting their **annual financial reports** before the FSC (under art. 128, para. 4 and under art. 190, para. 1 FIMA) – extended until **31st July 2020**.

We would like to underline that, pursuant to an official statement of the FSC, the



issuers which are planning to present their respective financial reports after the initially envisaged statutory terms under POSA and within the newly extended terms, should disclose to the FSC and to the public the planned dates for publishing their reports and the reasons for their decision.

Please note that the entering into force of the latest amendments to POSA of October 2019, adopted by means of the Transitional and Final Provisions of the Act on the Amendment and Supplement of the Financial Instruments Markets Act (published in issue no. 83 of 2019 of the State Gazette and amended in issue no. 102 of 2019), is delayed for another 6 months.

2. Extended terms with regard to specific EU requirements

Apart from the above-mentioned legislative amendments in the Measures and Actions during the State of Emergency Act, the financial markets participants, and more specifically under this

paragraph – investment firms and credit institutions, should also consider the postponed starting date for reporting of securities finance transactions pursuant to Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012. ESMA has published a report stating that said starting date for reporting shall be three months later as a response to the adverse effects of the COVID-19 pandemic.

Therefore, credit institutions, investment firms, central counterparties and central securities depositories, as well as third country entities, should report for securities financing transactions as of 13th July 2020 (rather than 13th April).

3. Recommendations by FSC and ESMA

3.1. The FSC published on its website a public statement by ESMA concerning all issuers of securities admitted to



trading on regulated markets, as well as the auditors of those issuers. ESMA emphasizes the need for consistent and high-quality implementation of **International Financial Reporting Standards - IFRS 9, and provides some guidance on their implementation by issuers** in the current context of COVID-19 and considering the measures adopted by Member States to mitigate adverse economic impact.

3.2. Following a public statement by ESMA, the FSC addressed all venues and investment firms and informed them of the requirement for each **trading venue and systematic participant, as well as all other venues, to provide the public with information regarding the quality of execution of all orders** for the period 1st October – 31st December 2019, due until March 31st, 2020, as soon as possible, but **no later than June 30th, 2020.** Investment firms executing client orders, on their part, should

summarize and publish **the annual information for the first five venues of execution and for the quality of the execution of orders**, due until March 31st, 2020, in the shortest possible time, but **not later than June 30, 2020.**

We shall, of course, keep monitoring the influence of COVID-19 on the financial market.

With respect to other current topics, in relation to the legislation, stipulating the relationships at the state of emergency, you may find information on our website – www.penkov-markov.eu.

Of course, you may address us for any additional information and assistance at lawyers@penkov-markov.eu.

The above provides general information related to the adoption of the Measures and Actions during the State of Emergency Act and it is not exhaustive, whereas it serves only as a guide for interpreting the news as of April 3rd, 2020.

