

*Translated from Bulgarian*

**Expat Greece ASE UCITS ETF  
Exchange-Traded Fund**

**RULES**

## SECTION I GENERAL PROVISIONS

### *General provisions*

**Art. 1.** (1) The Fund “Expat Greece ASE UCITS ETF” is an open-end collective investment scheme for investment in securities and other liquid financial assets, established and pursuing its activity in compliance with the Law on Activities of Collective Investment Schemes and Other Collective Investment Undertakings (LACISOCIU), Law on Public Offering of Securities (LPOS) and the sub-statutory acts of its application, Markets in Financial Instruments Act (MFIA), Obligations and Contracts Act (OCA) and the other applicable legislation of the Republic of Bulgaria.

(2) The Fund is a separate asset pool for investment in securities and other liquid financial assets with a view to achieving the investment goals, stated in Art. 7. The Fund is not a legal entity.

(3) The Fund is a separate asset pool with the objective for collective investment of funds raised through public offering of units in transferable securities and other liquid financial assets under Art. 38, para 1 of LACISOCIU, carried out by the management company on the principle of risk-spreading.

(4) The Fund is organized and managed by Management Company “Expat Asset Management” EAD, in compliance with the Law on Activities of Collective Investment Schemes and Other Collective Investment Undertakings and the sub-statutory acts of its application, Obligations and Contracts Act (OCA) and the other applicable legislation of the Republic of Bulgaria.

(5) The Management Company holds an authorization for organization and management of the Fund under para 1, issued by the Financial Supervision Commission № 165-DF dated 11.12.2017

(6) (Am. by BD Resolution No 213/27.10.2017) The Fund is considered established by the issue of the authorization under para 5 and its subsequent entry in the Register under Art. 30, para 1, Item 4 of the Financial Supervision Commission Act.

(7) In the performing fund management activities, the Management Company acts on its own behalf, stating that it acts for the Fund’s account. In carrying out activities related to public offering on the secondary market (trading session) of the Fund’s units and to their issue and redemption on the primary market, the Management Company acts on behalf and for the account of the Fund.

(8) The assets of the Fund shall be kept by the Custodian.

### *Definitions and acronyms*

**Art. 2.** In these Rules the following words and expressions shall have the following meaning:

1. „LACISOCIU “	Law on Activities of Collective Investment Schemes and Other Collective Investment Undertakings
2. „MFIA “	Markets in Financial Instruments Act

3. „the ETF“, „the Fund“ or „the Exchange-traded Fund“	Expat Greece ASE UCITS ETF, established and carrying out activity pursuant to Art. 4, Art. 5 <i>et seq.</i> of LACISOCIU
4. „the Management Company“ or “MC”	Expat Asset Management EAD, city of Sofia, which is a management company within the meaning of Art. 86 of LACISOCIU
5. „the Commission“	Financial Supervision Commission of the Republic of Bulgaria
6. „Marketmaker“	Investment broker meeting the conditions and operating under Chapter Three „a“ of LACISOCIU
7. „Custodian“	A bank or a non-banking financial institution meeting the conditions and operating under Chapter Five of LACISOCIU
8. „the Deputy Chairperson“	Deputy Chairperson of the Financial Supervision Commission in charge of Investment Activity Supervision Division
9. „the Exchange“	Bulgarian Stock Exchange – Sofia or another regulated market on which units of the Fund are traded
10. „Index“, „Reference Index“	The stock exchange index which the Fund shall replicate
12. „Tracking error“	Volatility (measured by the annualized standard deviation) of the difference between the annual return of the index tracking Fund and the annual returns of the Index itself
13. „Central Depository“	Central Depository AD, organized and operating under Art. 127 <i>et seq.</i> of the LPOS
14. „the Prospectus“	Prospectus for public offering of units of the Fund pursuant to Art. 53 <i>et seq.</i> of LACISOCIU
15. „the Valuation Rules“	The rules for portfolio valuation and determination of the net asset value and the indicative net asset value
16. „Business day“	The day which is a business day for the offices within which units of the Fund are sold and redeemed
17. „Member State“	Member State is a State which is a member of the European Union or another State which belongs to the European Economic Area
18. „Third country“	Third country is a State which is not a Member State within the meaning of Item 17
19. „Regulated market under Art. 73 of MFIA“	A regulated market is a multilateral system, operated and/or managed by a market operator, which meets or facilitates interests of a multitude of third-party buying and selling interests in financial instruments in the system and in accordance with its non-discretionary rules, in a way that results in the conclusion of a contract in respect to the financial instruments admitted to trading under its rules and/or systems, and which is authorized and functions regularly and in accordance with the provisions of this Act and the statutory documents of its application.

	A regulated market is also each multilateral system which is licensed and operates in accordance with the provisions of Title III of Directive 2004/39/EC of the European Parliament and the Council.
20. „Other regulated market“	Regulated market other than the market under Art. 73 of MFIA, which is regularly functioning, recognized and publicly accessible.
21. „Securities“	<p>Securities means transferable rights registered on accounts with the Central Depository, and for government securities – registered on accounts with the Bulgarian National Bank or with a government securities sub-depository, or with foreign institutions conducting such activities (dematerialized securities), or documents materializing transferable rights (materialized securities), eligible for trading on the capital market, except for the following instruments of payment:</p> <ol style="list-style-type: none"> <li>1. shares in companies and other securities equivalent to shares in companies, partnerships and other legal persons, as well as depository receipts in respect of shares;</li> <li>2. bonds and other debt securities including depository receipts in respect of such securities;</li> <li>3. any other securities giving the right to acquire or sell any such securities or giving rise to a cash settlement determined by reference to securities, currencies, interest rates or yields, commodities or other indices or measures.</li> </ol>
22. „Money market instruments“	Money market instruments means instruments normally traded on the money market such as short-term government securities (treasury bills), certificates of deposit and commercial papers and excluding instruments of payment.
23. „Net asset value“, „NAV“	The net asset value of the Fund.
24. „Valid order“	A valid order shall be an order for purchase or redemption of units of the Fund, which is submitted and signed by the investor and by the Management Company until 17:00 hours (CET+1:00).
25. „Indicative net asset value“	The indicative net asset value of the Fund shows the indicative asset value of the Fund less its liabilities at a specific time of the day.
26. „Institutional investor“	„Institutional investor“ is considered to be all insurance companies, banks, investment intermediaries, management companies, pension funds, as well as all collective investment schemes and investment companies, granted a license in a EU Member State, EEA or the OECD.

***Name and company logo***

**Art. 3.** (1) The name of the Fund is Expat Greece ASE UCITS ETF.

(2) The Board of Directors of the Management Company may adopt a logo of the Fund.

### ***Information about the Management Company***

**Art. 4.** (1) The Fund is organized and managed by Expat Asset Management EAD with headquarters and a registered office: city of Sofia, Sredets region, № 96A “Georgi S. Rakovski” Str., tel. +359 2 980 1881, fax +359 2 980 7472, electronic address (e-mail): [office@expat.bg](mailto:office@expat.bg), electronic page in Internet (website): [www.expat.bg](http://www.expat.bg).

The Management Company has the following scope of activity: management of collective investment schemes within the meaning of Art. 4 of LACISOCIU, including management of the investments; administering the units or shares, including legal and accounting services related to asset management, requests for information by investors, assets valuation and calculation of the unit or share price, control over compliance with the requirements of the law, keeping the register of unitholders or shareholders, distribution of dividends and other payments, issue, sale and redemption of units or shares, implementation of contracts, book-keeping; marketing services; management of individual portfolios of financial instruments under a contract signed with a client, including such with full discretion mandate and such of institutional investors, investment advice about financial instruments.

The Management Company has been granted License № 33-UD/31.07.2007 for carrying out activity as a management company, issued pursuant to the Commission’s Resolution № 1574-UD/30.11.2007; it has been entered in the Commercial Register with the Sofia City Court under company file № 19380/2007 with lot № 129565, volume 1793, reg. I, page 113, having UIC 175431340.

(2) The Management Company has a one-tier managing system.

### ***Term***

**Art. 5.** The Fund is established for indefinite period of time.

### ***Activity of the Fund***

**Art. 6.** The Fund’s activity is collective investment in securities and other liquid financial assets within the meaning of Art. 38 of LACISOCIU of funds raised through public offering of units with a view to achieving the investment objectives under Art. 7, which is carried out by the Management Company on the principle of risk spreading.

### ***Requirements to the securities, money market instruments and the other assets under Art. 38 of LACISOCIU and to the structure of assets and liabilities and the liquidity of the Exchange-Traded Fund***

### ***Main investment objectives and strategy***

**Art. 7.** (1) Expat Greece ASE UCITS ETF is a passively managed exchange-traded fund which follows the model of sample physical replication of a Reference Index.

(2) In order to achieve best possible correlation with the performance of the Reference Index, the Fund shall invest predominantly in a basket of balance sheet assets, consisting of the shares of the companies in the Reference Index. As a Fund for direct replication Expat Greece

ASE UCITS ETF may not invest in each company from the Reference Index, or with the exact weight of the relevant company in the Reference Index. The Fund seeks to track the Reference Index, while it is possible the allocation of the shares in the Fund to deviate from that of the Reference Index due to the restrictions for concentration set forth in the law, or at the time of extraordinary market conditions. In normal market conditions and adequate liquidity in the Index constituents, the Fund will invest in the Reference Index constituents, maximum close to the Index weights and in compliance with the statutory limits and restrictions in the Rules. To ensure transparency of the method by which the Reference Index performance is replicated, the investors may find updated information on the composition of the portfolio of Expat Greece ASE UCITS ETF on the page dedicated to the Fund at [www.expat.bg](http://www.expat.bg). The frequency of the updating and/or the date on which the above mentioned information has been updated shall be indicated on the same website.

(3) The extent to which a direct replication fund can achieve its objectives depends on the investment restrictions with which the Fund must comply, as described in these Rules. In addition to the investment restrictions, it should be noted that:

- a) Extraordinary circumstances, such as but not limited to, disruptive market conditions or extremely volatile markets, may occur and cause the performance of the Fund to depart considerably from the performance of the Reference Index;
- b) Due to different factors, including fees and costs, limits of concentration, other legal or regulatory restrictions, as well as in some cases illiquidity of certain securities, it may not be possible or practicable to invest in all companies from the Reference index, and/or in the same proportions as they are in the Reference index.

(4) The investment strategy of the Fund envisages realised dividend income to be reinvested in shares of the Reference Index.

(5) The Fund is exposed to volatility risks of deviation in tracking the Reference Index, the so called "tracking error risks", which may have as a result the value and the performance of the Fund's units not follow exactly the value and performance of the Reference Index.

(6) „Tracking error“ is the volatility (measured by the annualized standard deviation) of the difference between the annual return of the index tracking Fund and the annual return of the Index itself.

(7) (Am. by BD Resolution 221/04.12.2017, am. by BD Resolution No 213/27.10.2017) Due to the relatively large number of companies with exceptionally small weights in the Reference Index the Management Company will replicate the Index through sample direct replication. This will reduce the cost for purchase of small number of shares, which will lead to improvement in the tracking of the Reference Index on their purchase. The estimated level of the annual „Tracking error“ from following the Reference index under normal market conditions is 11.00%. The estimated tracking error is calculated based on the performance of the Fund's NAV against the performance of the Reference index, assuming that the obtained dividends from the Index constituents are also reinvested. The estimated level is determined based on historical tests (back testing), involving the historical performance of ATHEX Composite Share Price Index and simulated performance of Expat Greece ASE UCITS ETF compared to it, taking into account the inability of the Fund to replicate ATHEX Composite Share Price Index at 100% due to legal restrictions related to the liquidity, estimated annual management expenses and other expenses, and estimated average bid-ask spread of the shares in ATHEX Composite Share Price Index.

(8) In view of the high volatility of the Reference Index which the Fund follows, the ETF is classified as a „high-risk fund“.

***Investment policy Composition and structure of the assets***

**Art. 8.** (1) (Am. by BD Resolution № 213/27.10.2017, am. by BD Resolution № 219/24.11.2017) As a Fund for sample physical index replication Expat Greece ASE UCITS ETF will invest in the following way and in accordance with the Fund's Rules:

- 1) (Am. By BD Resolution № 213/27.10.2017) Up to 100% of the Fund's assets in equities and rights of the companies which constitute the Reference Index, accounting also for minimum liquid funds maintenance. The Fund invests only in equities which are part of the Reference Index. In circumstances outside of the control of the Management Company (change of an issuer from the Reference Index), the Fund is obliged within 6 months to rebalance its portfolio and to sell/buy the equities, subject to change in the Reference Index. In the period of the Fund's capital raising, there could be disproportionately big cash inflows, beyond the control of the Management Company.
- 2) (Am. by BD Resolution 241/14.02.2018) Up to 20% of the Fund's assets in bank deposits payable on demand or eligible to be withdrawn at any time and maturing in no more than 60 days, provided that the bank is with headquarters in the Republic of Bulgaria or in another EU Member State, and if headquartered in a third country, provided that it is subject to regulations which the FSC as proposed by the Chairperson of FSC considers equivalent to those under the law of the European Union;
- 3) (Am. by BD Resolution № 219/24.11.2017, Am. by BD Resolution 241/14.02.2018) Without limitations, in total up to 100% of the Fund's assets, in securities and money market instruments, issued by a Member State of EU or a third country which is included in a list approved by the FSC as proposed by the Deputy Chairperson, only in the following or similar exceptional cases:
  - a) In case of disproportionately large subscription of new Fund units against cash on the primary market;
  - b) (Am. by BD Resolution № 213/27.10.2017) In case of low market liquidity – in case that it is impossible to rebalance the Fund in respect to all positions in the Reference Index and that would result in price movements of certain positions of over 10%, which is not justified by change in the fundamental characteristics of these companies;
  - c) High market, political or systemic risk that may obstruct the management of the Fund in normal market conditions;
  - d) The Management company, if it judges that any of the above mentioned risks is present, may invest temporarily its free funds in the securities and instruments under Item 3, but it must within 6 months rebalance again the Fund's portfolio in order to replicate the Reference Index as close as possible.

***Investment restrictions***

**Art. 9.**(Am. by BD Resolution № 213/27.10.2017, am. by BD Resolution № 219/24.11.2017) (1)Expat Greece ASE UCITS ETF aims to replicate as close as possible the composition of the ATHEX Composite Share Price Index which meets the following conditions:

- a. The index composition is sufficiently diversified;
- b. The index represents an adequate benchmark for the market to which it relates; and
- c. It is published in an appropriate manner.

As a passive index tracking fund, in compliance with the above mentioned conditions, Expat Greece ASE UCITS ETF has no other restrictions, except that for up to 20% in shares of one issuer, part of the Reference index, according to Art. 46, para 1 of LACISOCIU.

The ETF strives to follow the Reference Index, and it is possible that the allocation of the shares in the ETF deviates from that of the Reference Index at times of exceptional market conditions, change of the structure of the Reference Index, an order for subscription or redemption of the Fund, low market liquidity and low trading volume, etc. The Management Company (MC) performs any rebalancing of the ETF portfolio, led first of all by the investor interest and the Fund's mandate to track the Reference Index. In order to comply with the legal limits and maintain liquidity, and in order to meet redemption requirements, the Fund will maintain a minimum level of cash and equivalents, which limits the weight of shares that replicate the Reference Fund;

(2) The MC may not invest more than 20 per cent of the Fund's assets in deposits with a single entity under Art. 38, para 1, Item 6 of LACISOCIU.

(3) The risk exposition of the Fund to the counterparty, when using effective portfolio management techniques, may not exceed either of the following thresholds:

a. 10 per cent of the assets when the counterparty is a credit institution under Art. 38, para 1, Item 6 of LACISOCIU, or;

b. 5 per cent of the assets in all other cases.

(4) The total amount of investments under para 2-3 in securities or money market instruments, issued by a single entity and the deposits with this entity, and the exposure arising from effective portfolio management techniques, should not exceed 20 per cent of the amount of the Fund's assets.

(5) The Management Company may invest up to 30 percent of the Fund's assets in transferable securities and money market instruments, issued by a single issuer if the securities and money market instruments are issued or guaranteed by a Member State of the European Union, by its regional or local authorities, by a third country or a public international organization in which at least one Member State is a member.

(6) The parties belonging to one group for the purposes of preparation of consolidated financial statements in accordance with the recognized accounting standards are regarded as a single entity in applying the restrictions under para 2-4.

(7) The total amount of investments in transferable securities or money market instruments, issued by the companies in a group, should not exceed 20 per cent of the amount of the Fund's assets.

(8) In the calculation of the Fund's risk exposure to the counterparty, the MC takes into account the restrictions under para 2-4, if there is a collateral. The collateral may be reflected at net value if the MC can guarantee the applying of the netting agreement with that counterparty on behalf of the Fund.

(9) Expat Asset Management EAD calculates the concentration limits against an issuer under para 1-8 based on the base exposure arisen through the use of effective portfolio management techniques, according to the assumed liabilities method.

(10) In the calculation of the Fund's risk exposure to the counterparty, arising from effective portfolio management techniques under para 3 and 4, the MC must include in the calculations each risk exposure to the counterparty, arising from effective portfolio management techniques.

(11) The Management Company, acting for the account of all managed by it Funds, may not acquire shares with voting rights which would allow it to exercise substantial influence over the management of an issuer. The ETF may also acquire no more than:

- a. ten percent of the equity shares without voting rights issued by one entity;
- b. ten percent of the bonds or other debt securities issued by one entity;
- c. ten percent of the money market instruments issued by one entity.

(12) (Am. by BD Resolution 241/14.02.2018) The restrictions under para 11, b. and c. shall not apply when at the time of acquisition of the indicated instruments, the Management Company, acting for the Fund's account, cannot calculate the gross amount of the debt securities, of the money market instruments or the net value of the issued securities.

(13) Upon conclusion of repo transactions, the Fund's risk exposure to each separate counterparty may not exceed 10 per cent of its assets, when the counterparty is a bank under Art. 38, para 1, Item 6 of LACISOCIU, and 5 per cent of the assets in all other cases.

(14) The restrictions under this Article shall not apply in exercising subscription rights attributed to transferable securities and money market instruments which are part of the Fund's assets.

(15) In the cases and under the conditions, envisaged in the Rules of the Fund and according to Art. 50, para 2 and 3 of LACISOCIU, some of the restrictions of the preceding paragraphs may be not applied up to 6 months after receiving the authorization for organization and management of the Fund. In the event of conversion in which the Fund is involved as a receiving collective investment scheme, for which the Financial Supervision Commission is a competent authority, the same restrictions from sentence one shall drop out for a period of up to 6 months after the date of entry of the merger or acquisition in the respective register.

(16) In case of violation of the investment restrictions under this Chapter for reasons beyond the control of the Management Company or as a result of exercising subscription rights, the Management Company shall, with priority but not later than six months after the violation occurrence, bring the Fund's assets in line with the investment restrictions by selling transactions, taking into account the best interest of the unitholders.

(17) In the cases under para 16, the Management Company must, within 7 days of commitment of the violations, inform the Financial Supervision Commission (FSC), providing information on the causes of its occurrence and the actions taken for its remedy. The information on the actions taken shall not be submitted if the violation was remedied until the provision of the notification.

### ***Liquidity requirements***

**Art. 10.** (1) (Repealed by BD Resolution № 213/27.10.2017)

(2) (Am. by BD Resolution № 213/27.10.2017) At any time the Fund must have minimum liquid funds, as follows:

- a) Cash (including deposits in credit institutions under Art. 38, para 1, Item 6 of LACISOCIU), securities, money market instruments under Art. 38, para 1, Item 1-3 of LACISOCIU and short-term receivables – amounting to not less than 100 per cent of the weighted current liabilities;
- b) (Am. by BD Resolution № 219/24.11.2017) The cash (including deposits in credit institutions under Art. 38, para 1, Item 6 of LACISOCIU), securities and money market instruments issued by a Member State of the European Union, and money

market instruments under Art. 38, para 1, Item 9, letter „a“ of LACISOCIU– not less than 70 percent of the weighted current liabilities, accept for liabilities related to participation in capital increase of public companies.

(3) The Fund may use various operations on the money market (repo deals, lending of securities) with the purpose of providing liquidity whenever necessary, if the redemption liabilities exceed the current cash amount of the Fund and securing additional cash through urgent asset sales may harm the interest of the rest of the investors of the Fund. Such operations are allowed under extreme market conditions: periods with low market liquidity, market fluctuations of over 5% for the day in the Reference Index or other circumstances that may lead to potential losses for the current investors of the Fund after providing the necessary liquidity.

(4) In case of violation of the requirements of the preceding paragraphs, the Fund must within 7 days of detecting the violation, notify the Financial Supervision Commission, stating the reasons for the violation and proposing measures to bring the liquidity in compliance with the statutory requirements. The Fund aligns its liquidity with the statutory requirements within 30 days of detecting the violation. when, before the expiry of the 7-day period, the Fund aligns its liquidity with the statutory requirements, it shall notify FSC thereof not later than the next business day. In such case, the requirement to propose measures under the first sentence shall not apply.

#### ***Other investment strategies and techniques***

**Art. 11.** (1) The Fund may, in accordance with the law, buy or sell securities with the agreement to sell them, or respectively to buy them back from the seller/buyer in compliance with the requirements of Art. 27 and 28 of LACISOCIU and the Financial Collateral Arrangements Act (these transactions are generally known as contracts with repurchase agreement or repo transactions). These contracts may be executed under different conditions with respect to their term, determining of redemption price and collateral, depending on the situation and the agreement reached with the specific counterparty. The conclusion of such contracts could optimize the profitability and liquidity of the ETF, and its counterparties must meet pre-defined by the MC requirements of creditworthiness.

(2) The Management Company shall follow the guidelines in Section X of the Guidelines on Exchange-Traded Funds (ETF) and other UCITS issues (ESMA/2014/937). The Management Company shall not use derivative instruments in the Fund's management and structure and therefore all guidelines related to these instruments are not relevant. Expat Greece ASE UCITS ET" may use techniques and instruments related to securities and money market instruments under the conditions and restrictions set out in the Fund Rules, but in no case shall these techniques lead to deviation from the investment objectives of the Fund or impose additional risks, compared to the original risk policy, as described in the Fund Rules. When and if such actions are undertaken, Expat Greece ASE UCITS ETF will ensure that it is able at any time to take back all lent securities, or to terminate any concluded by it agreement for lending of securities. Term repo and reverse repo agreement, the duration of which does not exceed seven days, shall be considered transactions whose conditions enable the taking back of the assets by the Fund at any time. The annual report of Expat Greece ASE UCITS ETF shall also contain details on:

- a) the risk exposure due to efficient techniques for portfolio management;
- b) the identity of the counterparty/counterparties of these efficient techniques for portfolio management;

- c) type and amount of collateral received by the UCITS to reduce the exposure to the counterparty; revenues as a result of efficient techniques for portfolio management for the whole reporting period together with direct and indirect operating costs incurred and paid fees.

### ***Restrictions on the Fund activities***

**Art. 12.** (1) The Management Company may not change the scope of the Fund's activity or make a decision for its conversion in a way other than merger and acquisition after obtaining the license from the Financial Supervision Commission.

(2) The Management Company and the Custodian when acting for the account of the Fund may not:

- a) Grant loans or secure or guarantee obligations of third parties with assets of the Fund;
- b) Sell securities, money market instruments and other financial instruments under Art. 38, para 1, Item 1, 2, 3 and 9 LACISOCIU which the Fund does not own.

(3) The Management Company may not invest the assets of the Fund (or assets of all mutual funds managed by the Management Company and assets of other clients) in voting shares of a single issuer, in a way that the acquired shareholding enables the Management Company or the members of its management or control bodies, jointly or unilaterally, to exercise significant influence on the issuer.

(4) In managing the Fund, the Management Company shall comply with all legal requirements and restrictions, including those set by resolutions of the Financial Supervision Commission.

### ***Other conditions on performing investment activity***

**Art. 13.** In case of discrepancy of the provisions of Art. 8 – 12 of these Rules with subsequent changes in LACISOCIU and the sub-statutory acts of its implementation regarding the requirements and limitations for the composition and structure of the investments and the activities of the Fund, the new statutory provisions shall apply if they are more restrictive than the provisions in the Rules. In such cases, the Management Company shall bring the Rules of the Fund in line with the legislative amendments within the shortest reasonable time.

## **SECTION II**

### **PROPERTY AND UNITS OF THE FUND**

#### **Unbundling of the Fund's assets**

**Art. 14.** (1) The Management Company shall segregate its property from the assets of the Fund and prepares separate financial statements for it.

(2) The Custodian shall report separately the cash and other assets of the Fund and shall segregate the non-monetary and monetary assets of the Fund from its own assets.

(3) The Management Company and the Custodian shall not be liable to their creditors with the Fund's assets. Creditors of an investor in the Fund cannot direct their claims against the Fund's assets.

### **Net asset value**

**Art. 15.** (1) (Am. by BD Resolution № 213/27.10.2017) The net asset value of the Exchange-traded Fund may not be less than BGN 500 000 or their equivalent in euro and that minimum amount should be reached within two years of obtaining the authorization to organize and manage the Fund. In case that the Fund's net asset value does not reach BGN 500 000 or their euro equivalent within the term under sentence one or in case that in 6 consecutive months the average monthly net asset value of the Exchange-traded Fund's assets is less than BGN 500 000 or their equivalent in euro, the Management Company must announce in 10 business days the reasons for that, the measures it will undertake for attracting new investors and also the timeline in which those measures would be applied and the Fund is expected to recover its NAV. The term of 10 business days under sentence two shall start running from the expiration of the 2 years period under sentence one, respectively from the expiration of the 6 consecutive months under sentence two.

(2) (Am. by BD Resolution № 213/27.10.2017) Expat Greece ASE UCITS ETF shall also comply with the following additional requirements for exchange-traded funds:

- a) The minimum net asset value may not be less BGN 100 000 or their equivalent in euro and should be reached within 30 days of adoption of these Rules.
- b) After the expiration of this period of 30 days, the Fund shall disclose the raised amount of net asset value on its website and shall notify the Financial Supervision Commission.
- c) Within 30 days of reaching the minimum amount of assets of BGN 100 000, or their equivalent in euro, the Management Company shall apply the Fund's units to be admitted to trading on a regulated market.

(3) The net asset value under para 1 is the value of the assets of the Fund less the value of its liabilities. The net asset value of the Fund shall be determined in accordance with Art. 18 of these Rules.

(4) (Repealed by BD Resolution № 213/27.10.2017) (5) The net asset value of the Fund shall increase or decrease according to the change in the number of issued and redeemed units as well as due to changes in the market price of the Fund's investments and its liabilities.

### **Units**

**Art. 16.** (Am. by BD Resolution № 213/27.10.2017) (1) The units into which the net assets of the Fund are divided are dematerialized financial instruments registered in accounts with the Central Depository AD or other licensed depository institution for dematerialized securities. The register of unitholders of the Fund is kept by the Central Depository AD or by another licensed depository institution with which the Fund has concluded a contract for that purpose.

(2) The par value of each unit of the Fund's net assets shall be 1 (one) euro.

(3) For the purchased units, investors shall make contributions in cash or contributions in assets constituents of the Fund's portfolio. All units give equal rights.

- (4) The number of the Fund's units shall vary as a result of their issue or redemption.
- (5) The Fund issues and redeems only whole units. Any transactions for the issue and redemption of units shall be made on the basis of delivery versus payment (DVP).
- (6) Where the unit belongs to several persons, they shall exercise their rights jointly, by appointing a proxy party. The proxy should be authorized by an explicit notary attested power of attorney in accordance with the law.
- (7) The Fund's units are acquired at the issue price under Art. 20.
- (8) The Fund's units may be transferred freely, without restrictions or conditions, in compliance however with the requirements of the acting legislation for transactions with dematerialized financial instruments.

#### ***Procedure of the Fund for borrowing funds***

**Art. 17.** (Am. by BD Resolution № 234/18.01.2018) The Fund may not use loans except for the cases stated below, or in other cases as specified by the applicable legislation. Loans may be used only with the prior approval of the FSC and suggested by the Deputy Chairperson and simultaneously in compliance with the following conditions:

- a) The loan is needed to cover liabilities related to units redemptions;
- b) The loan, respectively the total amount of the loans for the same period, does not exceed 10 percent of the Fund's assets;
- c) The term of the loan is not longer than 3 months;
- d) The terms and conditions of the loan contract are not more unfavourable than the usual for the market;
- e) A lender of the loan to be only a bank, except for the Custodian.

#### ***Net asset value of the Fund, net asset value per share, indicative net asset value and indicative NAV per unit***

**Art. 18.** (1) The net asset value of the Fund and the net asset value per share are calculated every business day according to the conditions and method of the acting legislation, these Rules and the Valuation Rules. The Management Company makes a valuation of the Fund's portfolio, determines the Fund's net asset value, net asset value per share, and calculates the issue price and the redemption price. The Custodian shall guarantee the accuracy of the Fund's net asset value and the net asset value per share, the issue price and the redemption price, verifying and comparing the data provided by the Management Company with the records of the Custodian.

The calculation of the net asset value for the day of valuation, or day T, is performed on the next day, or day T+1. If for any of the markets this is a non-business day, the prices announced at the last business day of the respective market shall be applied.

The procedure for determining the Fund's net asset value, net asset value per share, the issue price and the redemption price shall be as follows:

- 1) By 9:15 (CET+1:00) of day T+1, following the day T, for which the valuation is made, the Management Company receives from the Central Depository AD information on the transactions for sale and redemption of units with completed settlement and on the number of the Fund's units in circulation.
- 2) The following shall be done between 9:15 and 9:45 (CET+1:00) on the respective day:

- a) the assets and the price of assets are determined in accordance with these Rules;
  - b) the accounting of all the Fund's operations and revaluation of the assets and liabilities are performed;
  - c) the net asset value and the net asset value per share are determined and a resolution is adopted in regard to the issue and redemption price of the Fund's units. The net asset value per share is determined by dividing the net asset value of the Fund by the number of units in circulation at the time of such calculation;
  - d) the issue price is equal to NAV per share plus the issue costs;
  - e) the redemption price is equal to NAV per share less redemption costs;
- 3) By 9:45 (CET+1:00) of day T+1, following the day T, for which the valuation is made, the net asset value, net asset value per share, the issue price and the redemption price of the Fund units as well all the information about their calculation, including about the number of the issued and redeemed units with completed settlement, are sent to the Custodian;
  - 4) Until 10:45 (CET+1:00) of day T+1, following the day T, for which the valuation is made, a confirmation by the Custodian is expected of the accuracy of the net asset value, net asset value per share, the issue price and the redemption price of the Fund units thus calculated (in case of any inconsistencies found, they should be corrected);
  - 5) Until 11:00 (CET+1:00) of day T+1, following day T, for which the valuation is made, the process of determining the net asset value for day T shall be completed.

On day T+1, following business day T, for which the valuation is made, the Management Company shall notify the Financial Supervision Commission of the issue price and redemption price of the Fund's units for day T.

By the end of business day T+1, on which the issue price and the redemption price of the Fund's units for day T is calculated, the Management Company shall announce those on the Fund's page in the website of the Management Company.

(2) (Am. by BD Resolution № 213/27.10.2017) The Management Company shall adopt Rules of portfolio valuation and determination of net asset value and indicative net asset value of the Fund, which shall contain the principles and methods for valuation of the assets as well as the system for organization of these activities.

(3) The calculation of the net asset value shall be made in compliance with the envisaged in the Valuation Rules. When calculating the net asset value, the fees due to the Management Company as well as other expenses according to legal provisions and concluded contracts, shall also be included.

(4) (Am. by BD Resolution 213/27.10.2017, am. by BD Resolution № 219/24.11.2017) The indicative NAV and indicative NAV per share is calculated and published by BSE – Sofia or by another operator on a regulated market, on which the Fund's units are admitted to trading, every day in which the Fund's units are traded on a regulated market (the regulated market is open and data on the Reference Index are published) every hour, considered from 10:10 to 16:10 Bulgarian time (CET+1:00) included. For that purpose, the Management Company shall conclude on behalf and for the account of the Fund a contract with BSE – Sofia AD, or with the respective regulated market operator. In the absence of such contract, the indicative NAV and NAV per share shall be published by the Management Company on the Fund's website. The entire information about the calculated indicative NAV for the trading session are provided to the Financial Supervision Commission by the exchange operator after the end of the trading session in electronic way.

(5) (Am. by BD Resolution № 213/27.10.2017) The Management Company provides BSE – Sofia or any other regulated market operator on which the Fund's units are admitted to trading, data on its portfolio structure, the volume of the instruments held per position, the cash amount in the Fund as well as on the number of the issued units confirmed by the Fund's Custodian for the previous business day. When the indicative net asset value of the Exchange-Traded Fund is calculated, the operator on the respective regulated market or the Management Company updates the assets prices of the Fund's portfolio constituents while keeping unchanged the level of all other elements from the Fund's balance sheet.

### Assets and liabilities valuation methods

**Art. 19.** (1) (Am. by BD Resolution № 213/27.10.2017) At initial acquiring (recognition) of an asset, the valuation is made at the price of its acquisition, including also the transaction costs. Under this method the securities are recorded (removed) in the Fund's balance sheet on the date of transfer of ownership over them (settlement date), and not on the date of entering into the transaction. The removal of the securities from the balance sheet is done at their value as of the date of the sale settlement date.

(2) Subsequent valuation is performed for every security, financial instrument and other asset, including the assets initially recognized on the valuation date, according to a procedure and method, as envisaged in the Valuation Rules and in compliance with the legal requirements, the international standard and practices, and the FSC guidelines, by applying the following methods:

a) The fair value of securities and money market instruments, issued by the Republic of Bulgaria in the country, is defined based on the arithmetic average of the bid prices for the current business day, quoted by no less than two primary dealers of government securities.

i) In case that the price is calculated based on given gross prices by primary dealers, it is used directly for revaluation. In case that the price is net, it is transformed into gross on the basis of the interest rate characteristics of coupon frequency and size, and is used after that for revaluation;

ii) In the event that letter "a" is inapplicable on the relevant business day, the closest fair price established under the procedure of letter „a“ , during the 30-day period preceding the valuation day, is used for subsequent valuation. The gross price for the relevant revaluation day is calculated on the basis of the interest rate characteristics based on the coupon frequency and size of the relevant security.

b) In case that letter „a“ is inapplicable, the discounted cash flow method shall be used. The prices of the latest issues with the relevant maturity, which the primary dealers must quote, are used as a basis of the calculations. These latest issues with relevant maturity are hereinafter referred to for short as „base issues“. The issue whose price has to be defined is called „issue of interest“;

c) (Am. by BD Resolution № 219/24.11.2017) (Am. by BD Resolution 246/01.03.2018) The fair value of the securities issued by the Republic of Bulgaria and money market instruments abroad, as well as of those issued by another Member State and a third country which is not included in a list approved by the FSC as proposed by the Deputy Chairperson, securities and money market instruments traded on trading venues with active market, is determined:

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- i) By the bid price at market closure on the day of the valuation, published in an electronic system for price information on securities;
  - ii) In case that the foreign market is closed on the day of valuation – by the market closing bid price on the last business day, published in an electronic system for price information;
  - iii) In the event that the price calculated according to subitems i) and ii), is gross, it is used directly for revaluation. In case that the price is a net price, it is transformed into a gross price using interest rate characteristics based on the coupon frequency and size and after that is used for revaluation;
  - (iv) In case that there are no transactions made on the day of valuation, the fair value of transferable securities and money market instruments is determined by the closing price or other similar indicator, publicly announced on trading venues for the most recent day from the 30-day period preceding the day of valuation;
  - (v) In cases when there is no trading on trading venues in business days in the country, the fair value of the transferable securities and money market instruments is determined by the closing price for the day of the last trading session, preceding the day of valuation. In the event that there are no transactions executed on the day of the last trading session, preceding the day of valuation, the fair value of the respective instruments is determined by the close price or other similar indicator, announced publicly by trading venues for the most recent day from the 30-day period, preceding the day of valuation. The valuation of bonds and other forms of securitized debt (debt securities) should also account for the accrued interest for the respective days;
  - (vi) In case the method under letter „c“, i) – v) cannot be applied, then the method under letter „b“ shall be used
- d) The fair value of Greek and foreign equities and rights, traded on a regulated market or other trading venue in the Republic of Greece is determined:
- (i) (Am. by BD Resolution № 213/27.10.2017) For shares that are part of the Reference Index – by the same rules under which the valuation of the specific reference index is calculated, and namely by closing price and with price information published through the trading system or in the stock exchange bulletin, as long as the Reference Index revaluation method does not contradict the law. If the Reference Index revaluation method does not conform to the legal provisions, the shares shall be valued at closing price announced through the trading system or in the stock exchange bulletin;
  - (ii) For shares not included in the Reference Index – at closing price published through the trading system or in the stock exchange bulletin;
  - (iii) If a price cannot be determined under letter „d“, i) or ii), the price of the shares, respectively the rights, in case that there are no transactions with them on the day of valuation, is determined at the closing price published via the trading system or in the stock exchange bulletin for the most recent day from the 30-day period preceding the day of valuation or the day of the last trading session;
- e) If the methods of stock valuation pursuant to letter „d“ are not applicable, as well as for the shares which are not traded on a regulated market or other trading venues, the fair value is determined by applying in succession the following methods:
- i) Price-to-Earnings method of peer-group companies;
  - ii) Net Asset Value method;
  - iii) Discounted Cash Flow method.

f) In the cases of acquisition of rights of a given company in a capital increase by issue of shares, a receivable (of rights) shall be recognized from the date on which the shareholders in the company are not entitled to acquire rights for subscription of shares from the capital increase (the date after which executed transactions with shares do not have effect on the entitlement to acquire rights), until the date of registration of the rights in the custodian institution.

g) The fair value of deposits in banks, cash in hand and short-term receivables is determined at the date of valuation, as follows:

- i) term and demand deposits, cash in hand – at face value;
- ii) short-term receivables without fixed interest rate or income – at cost;
- iii) short-term receivables with fixed interest rate or income – at cost.

h) The fair value of the financial instruments in an inactive market is determined by using valuation techniques. The valuation techniques include the use of prices from recent fair market deals between informed, willing parties, information on the current fair value of another asset which is to a considerable extent equivalent, and commonly agreed methods.

l) The subsequent valuation of instruments on the money market, admitted to trading or traded on a regulated market or other trading venue is determined:

i) By the most recent price from transactions executed with them on the respective market for the last business day;

ii) Valuation method from subpoint „i“ is inapplicable, the valuation is made using the bid price at market close on the last business day for which the valuation is performed, as published in an electronic system for pricing information of securities;

iii) When the valuation method under subpoint „ii“ is inapplicable, the valuation is performed at last price of executed with them transaction within the most recent 30-day period.

j) Financial assets denominated in a foreign currency are converted into their euro equivalent, determined by the central exchange rate of the European Central Bank, valid for the day of valuation.

(3) The value of the liabilities is equal to the sum of the book value of short-term and long-term liabilities on the balance sheet. The liabilities denominated in foreign currency are calculated at the central exchange rate of the European Central Bank as of the day of valuation.

(4) The net asset value of the Fund is calculated by subtracting the value of all liabilities determined under para 3 from the value of all assets determined under the Valuation Rules.

(5) The net asset value per share is equal to the Fund's net asset value, calculated according to the preceding provisions, divided by the Fund's number of units outstanding at the time of determination.

(6) In case of inconsistency of the above paragraphs with any subsequent amendments to the statutory acts, concerning the determination of the net asset value of the Fund, the new statutory provisions shall apply as of their entry into force. In such cases, the Management Company shall bring the Fund's Rules in compliance with the statutory amendments as soon as reasonably practicable.

### ***Sale and redemption of units on the primary market***

**Art. 20.** (1) The primary market is the market on which the Fund’s units are issued or redeemed directly by the Fund itself. The following groups of investors may participate in the primary market under the following conditions, laid down in these Rules, if the same are not in conflict with any law or regulation:

Type of investor	Minimum size of the order for purchase of units of the Fund	Minimum size of the order for redemption of units of the Fund
Institutional investor	100 000 units	100 000 units
Other investors (including a marketmaker), that has concluded a contract for participation on the primary market with the Management Company	According to conditions and restrictions specified in the contract with the Management Company	According to conditions and restrictions specified in the contract with the Management Company

(2) Any orders and their timely submission to the Fund are the responsibility of the institutional investors, marketmakers and any other investor that have concluded a primary market participation agreement with the Management Company. Once accepted by the Fund, the orders become irrevocable.

- a) The persons eligible to sign a primary market participation agreement are investors who are classified as a „professional client“ within the meaning of § 1, Item 9 of the Markets in Financial Instruments Act;
- b) The agreed conditions for a minimum amount of the investment, the steps for orders over the minimum size and the charges will be agreed with each investor, in accordance with the commitment for the investment’s amount, periods, frequency and other conditions proposed on the investor’s side.

(3) „Institutional investors“ are all insurance companies, banks, investment intermediaries, management companies, pension funds, and all collective investment schemes and investment companies with a license obtained in the EU, EEA or OECD country.

(4) Each order must meet the requirement for the minimum size and be in steps of 100 000 units (the number of units should be multiple of 100 000) for purchase or redemption orders with sizes above the minimum, unless otherwise agreed in a contract with the Management Company.

(5) If the investor (including the marketmaker) has placed a purchase or redemption order by 15:00 (CET +1:00), then the order will be executed using the NAV for the day on which it is placed. If the order is given after 15:00 (CET+1:00), then it will be executed using the NAV for the day following the day when the order was placed. In case that the order form is not signed or is not properly filled out, the order shall be considered invalid and has to be placed again.

(6) Regardless of the invested amount, the investors in the Fund have to pay a charge at maximum rate of 2.00% for the purchase of units, payable to the Management Company, which is charged on the net asset value of the Fund per 1 unit and is included in the issue price of the units, unless otherwise agreed in a contract with the Management Company. The issue price of the Fund is defined as NAV per 1 unit plus the charge, payable to the Management Company.

(7) The investors in the Fund should pay a charge to the maximum rate of 2.00% in case of redemption of units, payable to the MC, which is deducted from the net asset value of the Fund per 1 unit, unless otherwise agreed in a contract with the Management Company. The redemption price of the Fund is defined as NAV per 1 unit less the charge payable to the Management Company.

(8) In case of change in the entry charge (the excess of the issue price per unit over the net asset value per share by the amount of the expenses on sale of the units), respectively a change in the exit charge (the reduction of the redemption price of a unit below the net asset value per share by the amount of expenses on the redemption of units), the Management Company shall notify the unitholders and the other investors by an announcement on the website of the Management Company immediately after the approval by the Financial Supervision Commission of the changes in these Rules.

(9) The investors shall pay at cost all expenses for settlement and transfer of the Fund's units for all operations on the primary market, including custodian fees, bank fees, commissions, taxes, etc.

(10) (Am. by BD Resolution № 213/27.10.2017) Units of the Fund shall be purchased in the following way:

- a) **Placing an order for purchase of units.** Investors shall place orders for purchase of units, containing the particulars in accordance with Ordinance № 44 of 20.10.2011 on the Requirements for the activity of the collective investment schemes, their management companies, national investment funds and the persons managing alternative investment funds (order forms are available at the Management Company's office), in person, by a proxy/representative or through an investment broker/bank/management company with a license issued in the EU, when the investor is a client of the respective investment broker, bank or management company. Orders for purchase of units shall be accepted every business day between 9:00 and 17:00 (CET+1:00) at the office of the Management Company, electronically with an electronic signature at email: [asset.management@expat.bg](mailto:asset.management@expat.bg), or if technically possible, through internationally established electronic platforms for online fund management services, such as Clearstream VESTIMA. In the order, the investor shall state whether the units will be issued against payment or against a basket of financial assets. If the order is placed by a proxy, the latter must also submit an original of a notarized power of attorney explicitly authorizing the proxy to perform management and disposal actions of securities, and a written statement that he/she is not professionally involved in transactions with securities. These requirements do not apply when the order is placed by an investment intermediary, a bank or a management company.
- b) **Payment for the subscribed units** (Am. by BD Resolution № 213/27.10.2017) The money and/or basket of assets for the subscribed units shall be received under a special account with the Custodian, held in the name of the Fund upon the units' delivery against payment (DVP) to the client. The settlement of delivery against payment (DVP) transactions on the primary market, against cash and/or a basket of assets is performed at Central Depository AD in accordance with the Rules and Regulations on the operation of Central Depository AD.
- c) **Order execution** (Am. by BD Resolution № 213/27.10.2017) If the investor (including a market maker) has placed a purchase or redemption order by 15:00 (CET+1:00), the order will be executed using the NAV for the day on which the order was placed. If the order is given after 15:00 (CET+1:00), then it will be executed using the NAV for the day following the day when the order was placed. Pursuant

to Art. 66, para 1 of Ordinance № 44, orders shall be fulfilled within 7 calendar days of the day of placing the order. In case that the order form is not signed or is not properly filled out, the order shall be considered invalid and must be placed again. In the order, the client should explicitly state whether he/she wishes units delivery against payment (DVP) and/or against a basket of assets at the respective custodian institution. The date of delivery shall be two days after placing the order (T+2).

- i) Order execution against payment in cash. On the next business day, following the day whose NAV per share shall be used for the order execution, the units shall be issued and directed for transfer to the client on the specified in the order value date. The order is executed for the number of the required units multiplied by the determined issue price per unit, and the issue price is rounded to the fourth digit after the decimal point. The Management Company shall provide confirmation for the execution of the valid order, containing instructions for delivery of the units against payment (DVP) as soon as possible but not later than the end of the business day following the order execution for the day whose NAV is used for the fulfilment of the order.
- ii) Order execution against delivery of a basket of assets. (Am. by BD Resolution № 213/27.10.2017, am. by BD Resolution № 219/24.11.2017) Each business day, the Management Company shall publish at [www.expat.bg](http://www.expat.bg) the contents of a basket of assets which represents 10 000 Fund's units („Creation Unit“). In the order for unit subscription on the primary market, the investor shall indicate the number of shares of each issuer that he/she will deposit in the Fund. The number of shares of each issuer must correspond to the admissible number in the creation unit (or to be divisible of it in case of subscriptions of over 10 000 units). The order is executed for the size of the requested number of units, multiplied by the specified issue price per unit. The obtained amount is called „Order amount“. On the next business day following the day whose NAV per share shall be used for the order execution, the units are issued and directed for transfer to the client. By 12:00 (CET+1:00) at noon on that day, the client shall receive a confirmation of the placed order, in which the Management Company states the cash component to be deposited on the account kept in the name of the Fund at Central Depository together with the requested shares. To determine the cash component, the sum of the shares declared to be deposited multiplied by their price for the day whose NAV shall be used for the order execution, is deducted from the order amount. The value of the assets in the basket which is transferred to the Fund is calculated in accordance with the Rules of Portfolio Valuation and Determination of Net Asset Value and Indicative Net Asset Value. To the cash components thus obtained shall be added all costs associated with the transfer of the basket of assets and the cash component that the Fund has to pay, if any. Thus, they are borne by the client subscribing units of the Fund and not by the existing unitholders of the Fund. The delivery of the basket of assets is done through the custodians of both sides on date T+2. The parties shall instruct the custodians providing services to them, on T+1 to transfer the basket with assets against units of the Fund or vice reverse, according to the rules and procedures of the respective depository institution. The communication between the custodians is carried out according to the established for the relevant market manner (In Bulgaria the communication with Central Depository AD is done via FTP or SWIFT channel, abroad a main channel of

communication between the custodians is SWIFT). Additional information on settlement is published on the Management Company's website.

d) **Order withdrawal.** Once placed, an order for purchase of units of the Fund may not be withdrawn.

(11) Fund's units shall be redeemed in the following manner:

- a) **Placing an order for redemption of units.** Investors shall place an order for redemption of units in person, by a proxy or through an investment broker/bank/management company with a license issued in the EU, when such investor is a client of the respective investment broker, bank or management company. An order form may be obtained at the above mentioned office. Orders for redemption of units shall be accepted every business day between 9:00 and 17:00 hours (CET+1:00) at the office of the Management Company, electronically via electronic signature at email: [asset.management@expat.bg](mailto:asset.management@expat.bg), or if technically possible through internationally established online fund management platform, such as Clearstream VESTIMA. If the order is placed by a proxy, the latter should submit the original of a notarized power of attorney, entitling to manage and give buy and sell orders for securities, as well as a statement that he/she is not professionally involved in transactions with securities. These requirements do not apply when the order is placed by an investment broker, bank or a management company.
- b) (Am. by BD Resolution № 231/27.10.2017) **Order execution.** The redemption order is executed at price per unit calculated for the day of placing the order, if the order is given by 15:00 (CET+1:00). For orders placed after this time, the redemption price is determined using the NAV for the next day. Valid orders for redemption of ETF units shall be executed on the next business day following the specified in the order value date whose NAV per unit will be used for the order execution but no later than 10 days from the date the order was submitted. Date of settlement is two days after the order submission (T+2).
- c) **Payment of the amount due.** The amount due shall be paid on indicated bank account of the client under the delivery versus payment (DVP) method or with a basket of financial assets constituting the Fund's portfolio, in the respective depository institution at the value date stated in the order.
- i) Order execution against payment in cash. The Management Company executes all redemption orders for execution using the NAV per share on day T against cash, only if the amount due to investors under redemption orders for execution using the NAV per share for day T is less than the cash holdings of the Fund minus all liabilities of the Fund, as calculated in the NAV for day T but also taking into account all transactions for the purchase of assets of the Fund with pending settlement and for redemption from the Fund with pending/forthcoming settlement, which are not reflected in the NAV for day T.
- ii) Order execution against delivery of a basket of assets. Upon submission of the redemption order, the investor has the right to declare that he/she wishes the order to be executed against a basket of financial assets. The Management Company performs all redemption orders for execution using the NAV per unit for day T against a basket of financial assets, when the amount due to investors under redemption orders for execution, using the NAV per share for day T, is greater than the cash holdings of the Fund minus all Fund's liabilities as calculated in NAV for day T, but also taking into account all transactions for purchase of assets of the Fund with pending settlement and for redemption from the Fund with pending/expected settlement, which are not reflected in NAV for day T. In the cases when these conditions are not met, the Management Company shall perform the redemption orders against payment in cash in the manner

described in b. i). Each redemption order against a basket of assets of the Fund shall be executed as follows:

- The number of units requested and accepted for redemption in the order is multiplied by their redemption price per unit and form „**amount payable to redemption order**“;
- The calculated percentage of the „**amount payable to redemption order**“ against the total net asset value of the Fund, based on which the order is executed, is „**redemption rate**“. This percentage is rounded to the second decimal point (e.g., 7.355% is rounded to 7.36%, etc.);
- For each security in the Fund's portfolio, the number of shares available in the Fund's portfolio according to the NAV for the order execution is multiplied by the **redemption rate**, and the obtained figure is rounded down to the first integer (for example, 5.89 becomes 5, etc.). All shares obtained as a number are multiplied by their price as used in the NAV based on which the order is executed. This amount is subtracted from „**amount payable to redemption order**“, and the remainder, if any, is paid in cash.

**d) Order confirmation.** The Management Company shall provide confirmation for execution of the valid order, containing instructions for delivery of the units against payment (DVP), or against a basket of financial assets as soon as possible but not later than the end of the business day following the day whose NAV is used for the order execution.

**e) Order withdrawal.** Once placed, an order for redemption of the Funds units may not be cancelled.

(12) Calculation of the net asset value of the Fund and of the net asset value per share shall be done in accordance with Art. 18 and Art. 19 of these Rules. In calculating the net asset value per one share, the issue price and the redemption price are rounded to the fourth decimal point. NAV, NAV per share, issue price and redemption price are calculated in euro.

(13) In case of an error made in calculating the net asset value per share, resulting in an increased issue price by more than 0.5 (zero point five) percent of the net asset value per share, the Management Company or the Custodian must reimburse the difference to the investor who has purchased the units at increased issue price from the ETF funds within a 10-day period of finding the error, unless the investor himself was acting in bad faith.

In case of an error made in calculating the net asset value per share, resulting in a decreased issue price by more than 0.5 (zero point five) percent of the net asset value per share, the Management Company or the Custodian must reimburse to the Fund the amount due at their own expense within a 10-day period of finding the error

If the error made does not exceed 0.5 (zero point five) per cent of the net asset value per share, the Management Company or the Custodian shall take the necessary measures to avoid errors in the calculation of the net asset value per share and for sanctioning of the responsible employees.

These Rules also apply when an error is made in calculating the net asset value per share, as a result of which the redemption price per unit is reduced or increased.

(14) The Fund may refuse and cancel, in whole or in part, orders for purchase of units by market makers in liquidation or bankruptcy.

### ***Purchase and sale of units on a secondary market***

**Art. 21.** (1) (Am. by BD Resolution № 213/27.10.2017) The Management Company intends to list the units of Expat Greece ASE UCITS ETF for trading on the Bulgarian Stock Exchange – Sofia and on the official segment of the London Stock Exchange, as well as on other regulated markets. As part of the listing, there is a requirement one or more members of the respective Exchange to be appointed as marketmakers that provide prices at which the Fund's units can be purchased or sold on the Exchange.

(2) The bid/ask spread can be regulated and subject to monitoring by the respective Exchange.

(3) The Management Company does not charge fees for purchase or sale of the Fund's units on a secondary market, such as a stock exchange.

(4) In buying and selling the units of the Fund on a stock exchange on which the Fund is admitted or will be admitted for continuous trading, other than the one which the stock exchange itself may require.

(5) The units purchased on the secondary market cannot be redeemed by the Fund on a primary market, except in the cases under Art. 20, para 1 for a certain category of clients: when the client is an institutional investor and covers the requirements for a minimum number of units of the order or the investor has concluded a contract for access to a primary market with the Management Company. Investors should buy and sell units on a secondary market with the assistance of an investment intermediary and they may incur fees for that. Furthermore, investors may pay more than the current net asset value when buying units on a secondary market, and may receive less than the current net asset value when selling them.

(6) If there is a substantial deviation of the exchange price of the Fund's units, including upon market disruptions, the minimum restrictions for redemption as described in Section Sales and redemption of units on a primary market in these Rules shall not apply. A substantial deviation of the exchange price of the Fund's units is considered to be: when the price of the last trade with units of the Fund, concluded on a regulated market, is 20% lower or higher than the last published NAV per share (indicative or for the day, depending on which one is the last), where for each trade the time when it was concluded and the last published NAV to this hour is taken into account. As „Market disturbances“ are considered only the following cases:

a) Absence of a marketmaker;

b) When the units are suspended from trading on a secondary market for more than 3 consecutive days

(7) Upon occurrence of a condition under which the restrictions for redemption are not applied, the Management Company shall immediately notify the Exchange on which the units are traded, and the Financial Supervision Commission, as well as shall publish information on its website about that circumstance and the possibility any investor to request redemption.

(8) The costs of redemption paid by investors in this case are the same as those described in Art. 35 Costs payable by Investors of these Rules.

### ***Obligations of the Management Company in sale and redemption of units***

**Art. 22.** (1) When pursuing activity for sale and redemption, the Management Company shall:

a) ensure the acceptance of the orders for sale and redemption of units on a primary market by electronic or other means and realize the contacts with the Fund's unitholders, as well as provide conditions for acceptance and accept orders electronically each business day;

- b) open to its account with the Central Depository sub-accounts of the unitholders of the Fund, unless otherwise envisaged in the order;
- c) accept every business day from the marketmakers, from the institutional investors and any other investor who has concluded a contract with the Management Company, orders with legally defined contents for purchase and redemption of units of the Fund on a primary market;
- d) deliver daily to the Central Depository information required for the settlement of the executed transactions with issued/redeemed units of the Fund on a primary market;
- e) forward on a daily basis to the Custodian the calculated net asset value, net asset value per share, issue price and redemption price of the Fund's units, as well as all the information concerning their determination, including the number of the issued and redeemed units with closed settlement on a primary market;
- f) review immediately all statements, opinions and recommendations of the Custodian made or given in the exercising of its control functions;
- g) by the end of the business day make the accounting records of all deals and operations made for the Fund's account;
- h) perform all other legal and factual actions for the sale and redemption in compliance with the applicable law and these Rules.

(2) The Management Company shall:

- a) receive payments from investors or marketmakers for the sale of the Fund's units only on the bank account specially opened for that purpose with a Custodian;
- b) execute orders for purchase of Fund's units within the term specified in the order, but no longer than 7 days from the date of placing the order;
- c) execute the orders for redemption of the Fund's units within the term specified in the order, but no longer than 10 days from the date of placing the order;
- d) Any orders for purchase, respectively redemption of Fund's units received within one day until 15:00 (CET+1:00), shall be executed at the same price – at the next published issue, respectively redemption price. Orders received after 15:00 (CET+1:00) shall be executed at price of the next business day.

***Circumstances and procedure under which redemption may be temporarily suspended***

**Art. 23.** (1) By decision of the Management Company, the Fund may temporarily suspend the redemption of its units only in exceptional cases, if the circumstances necessitate it and the suspension is justified in view of the interest of the unitholders, including in the following cases:

- a) when on a regulated market where more than 20 percent of the Fund's assets are quoted or traded, the conclusion of transactions is cancelled, suspended or subject to restrictions – for the duration of the suspension or restriction;
- b) when the assets or liabilities of the Fund cannot be evaluated properly, or the Management Company cannot manage the Fund's assets without harming the interests of the unitholders – as long as the situation of impossibility lasts;
- c) upon resolution for termination or transformation through merger or acquisition of the collective investment scheme under the conditions and procedure of Chapter Fourteen of LACISOCIU;
- d) (Am. by BD Resolution № 213/27.10.2017) In case of breaking the contract with the Custodian due to culpable behaviour of the Custodian, withdrawal of the license for

carrying out activity of the Custodian or imposition of other restrictions on its activities, which render impossible the fulfilment of its duties under the agreement for custodial services or may harm the interests of the unitholders of the Fund – for the minimum necessary period but no longer than 2 months;

(2) The Management Company shall immediately suspend the sale of units, in case that the redemption of units of the Fund is temporarily suspended. In these cases, the suspension of the public offering shall be for the duration of the temporary suspension of redemption, respectively for the period for which the temporary suspension of redemption is extended.

(3) The Management Company shall notify by the end of the business day the Financial Supervision Commission and the relevant competent authorities, the Custodian and the regulated market on which the Fund's units are traded, about the suspension of redemption, respectively about the extension of the redemption suspension period. The Management Company shall notify the unitholders of the redemption suspension, respectively of extension of the redemption suspension period immediately after adoption of a resolution for that, by a publication on the Management Company's website. If the period of suspension of units redemption needs to be extended, the Management Company shall notify the Financial Supervision Commission, the Stock Exchange and the Custodian no later than 7 days before expiration of the initially set period. If the duration of the suspension is shorter than seven days, including in cases when redemption was suspended for technical reasons, the Management Company shall forward the notifications of the preceding sentence by the end of the business day, preceding the date on which redemption should have been resumed.

(4) (Am. by BD Resolution № 213/27.10.2017) Orders placed after the last redemption price has been announced and before the start date of the temporary suspension period shall not be executed. The Management Company shall reimburse the amounts to the investors who placed orders for purchase of units, under their bank account by the end of the business day following the day on which a resolution for suspension of subscription was adopted.

(5) Redemption shall be resumed by the Management Company upon the expiration of the term specified in the resolution to suspend the redemption, or respectively in the resolution to extend the term of redemption suspension. The notification of the resumption shall be made in accordance with para 3 by the end of the business day preceding the resumption.

#### ***Reinvestment of the Fund return***

**Art. 24.** (1) The Fund shall not distribute income, including the income according to the certified by a registered auditor annual financial statements of the Fund, among the holders of its units.

(2) The Management Company shall reinvest the income of the Fund under para 1 in its activity with a view to track as close as possible the Reference Index of the Fund and in the best interest of the unitholders of the Fund.

(3) Return reinvestment shall be made in accordance with the investment objectives, strategies, policy and restrictions of the Fund, taking account of the specific market conditions and in compliance with the law, the Financial Supervision Commission's guidelines and the internal regulations of the Fund.

#### ***Conducting of stress tests to assess liquidity risk***

**Art. 25.** (1) The Management Company shall conduct regular stress tests once annually – by the 15<sup>th</sup> day of each first month of the year, or at the Management Company's discretion, if the market circumstances necessitate it. These stress tests allow assessing the liquidity risk of the Fund in extraordinary market conditions.

(2) Within 30 days after the completion of the stress tests, the Management Company shall notify the Deputy Chairperson of FSC about the results thereof, as well as of the actions taken for change in the procedures for management of the liquidity, if such are necessary.

### **SECTION III RIGHTS OF UNITHOLDERS**

#### ***Rights of investors in the Fund***

**Art. 26.** Each unit of the ETF shall give the following rights to its holder:

- 1) Right of unit redemption in accordance with the procedure described in these Rules, and:
  - a) The request for redemption may refer to part or all of the units held by the investor;
  - b) Redemption of units shall be made at price equal to the net asset value per share, less redemption costs in amount pursuant to Art. 20, para 7;
  - c) Orders for unit redemption are executed within 10 days at the first redemption price announced after the day of giving the order. The term shall start running from the moment of placing the order.
- 2) Right to a liquidation quota – in case of liquidation of the Fund, each investor shall have right to a part of the Fund's estate, corresponding to the held by him/her units;
- 3) Right to information – each investor shall be entitled to information, which the Fund's Prospectus and periodic reports contain, as well as to other public information about the Fund.
- 4) (Am. by BD Resolution № 213/27.10.2017) Right to lodge a complaint. Every investor has the right to file a complaint without paying a fee. The information on the Policy of handling complaints of MC Expat Asset Management AD is provided free of charge to investors.

### **SECTION IV ORGANISATION AND MANAGEMENT OF THE FUND**

#### ***General provisions***

**Art. 27.** (1) The Management Company shall organize the Fund by adopting these Rules, the Prospectus, Valuation Rules, Risk Management Rules, as well as other acts necessary for its structure and operation, shall file an application for the issue of authorization by the Financial Supervision Commission to organize and manage the Fund and shall perform other similar organizing activities.

(2) The Management Company shall manage the Fund, adopting the necessary resolutions related to its organisation, operation and termination, as well as to the ongoing operational management of the ETF. The resolution of the preceding sentence shall be adopted by the Board of Directors of the Management Company.

(3) The investment decisions regarding the Fund's assets shall be made by the investment advisor of the Fund.

***Governing principles for the Fund's management. Due care***

**Art. 28.** (1) The Management Company, members of its Board of Directors and the investment advisor of the Fund shall act in the best interest of all unitholders of the Fund, guided only by such interest when managing the Fund.

(2) In taking decisions and performing its functions for the Fund's management, the members of the Board of Directors of the Management Company shall:

- a) act fairly and professionally in order to protect investors and ensure the stability of the market of financial instruments, with skills, due care and due diligence (professionally) in a manner that is reasonably believed to be in the interest of all unitholders of the Fund and use only information which they reasonable believe to be reliable and complete;
- b) prefer the interest of unitholders of the Fund over their own interest;
- c) avoid direct or indirect conflicts between their interest and the interest of the unitholders of the Fund, and if such conflicts arise – promptly and fully disclose them in writing to the appropriate body and not to participate, as well as not to exert influence on the other Board members when taking decisions in such cases;
- d) not to disclose non-public information about the Fund, even after they cease to be members of the respective bodies, until public disclosure of the relevant circumstances under the law.

(3) The provisions of para 2 shall also apply to the natural persons representing legal entities – members of the Board and procurators.

***Functions of management of the Fund***

**Art. 29.** (1) The Management Company shall manage the activities of the ETF by:

- a) raising funds through public offering of units on a primary market (sale of units of the Fund);
- b) investing the raised funds in securities and other eligible liquid financial assets, including fixed-income instruments;
- c) redemption of units of the Fund on a primary market.

(2) The Management Company shall sell and repurchase the Fund's units on a primary market.

(3) The functions of the Management Company for investing the raised funds shall include analysis of the securities market, formation of portfolio of securities and other liquid financial assets, revision of the formed portfolio and assessment of its effectiveness. The Management Company will seek to replicate the Reference Index as accurately as possible, optimizing the costs of the Fund and acting in the best interest of the investors in the Fund. A tracking error with respect to the Reference Index may occur and the Management Company shall do its best at any time to minimize this error, so far as the market circumstances allow it and as long as its minimization does not affect the interest of investors or violate the market integrity. In carrying out its activities, the Management Company shall make investment decisions and shall give instructions for their execution to the authorized by it investment brokers, except for the cases of initial public offering or transactions with money market instruments under Art. 38, para 1, Item. 9, letter „a“of LACISOCIU, when the subscription of securities, respectively

the transactions with securities and money market instruments may be performed by the Management Company.

(4) In pursuance of the activities under para 1, the Management Company shall calculate NAV per unit, issue price and redemption price of the Fund's units, shall keep accounts, maintain and keep the books and perform all other similar duties.

(5) The Management Company shall manage the advertising and marketing activities of the Fund and maintain information about the Fund on its website.

(6) The Management Company shall carry out all other activities that are necessary in relation to the legal operation and termination of the Fund.

(7) In carrying out the activities of managing the Fund, the Management Company shall pursue an investment policy to achieve the investment objectives of the Fund, to comply with the investment restrictions provided by law and in these Rules, as well as to comply with the Valuation Rules, Risk Management Rules and the other internal regulations of the Fund.

(8) For any matters not explicitly settled herein shall apply respectively the provisions of the General Terms and Conditions of the Management Company and the provisions of LACISOCIU, the regulations on its implementation and the other relevant statutory acts.

#### ***Resolutions of the Management Company on the Fund's activity***

**Art. 30.** (1) In carrying out the functions under Art. 29, the Management Company take decisions on all matters related to the organisation, operation and termination of the Fund, including:

- a) amendment and supplement of these Rules, the Rules on portfolio valuation, of the Rules on risk management and other internal acts, as well as on updating the Prospectus of the Fund;
- b) conclusion, control on the execution, termination and breaking the contracts with the Custodian, the Marketmaker and investment brokers, executing investment instructions regarding the management of the Fund's portfolio;
- c) appointment and dismissal of the registered auditors of the Fund;
- d) preparation and adoption of the annual financial statements of the Fund after they are certified by the appointed registered auditors;
- e) daily determination of the net asset value of the Fund, NAV per share, issue price and redemption price of its units;
- f) decisions to temporary suspend/resume redemption and extending the period of the temporary suspension of the redemption under the conditions and procedure provided for in these Rules;
- g) decisions to conclude loan agreements;
- h) decisions to transform and terminate the Fund;
- i) appointment of liquidator/s upon occurrence of reasons for termination of the Fund.

(2) The resolutions under para 1 shall be adopted by the Management Company under the conditions and the procedure envisaged in its Articles of Association.

(3) (Am. by BD Resolution № 234/18.01.2018) Any change in the Rules of the Fund, in the Valuation Rules and the Risk Management Rules, amendment to the contract for custodian services as well as a replacement of the Custodian and the Management Company may be done after an the obtainin of approval by the FSC and suggested by the Deputy Chairperson.

A loan under Art. 27, para 3 of LACISOCIU may be used after an authorisation by the FSC and suggested by the Deputy Chairperson.

(4) Transformation and termination of the Fund may be done with the authorisation of the Financial Supervision Commission. The persons appointed for liquidators of the Fund shall be approved by the Financial Supervision Commission.

### ***Prohibitions for the Management Company***

**Art. 31.** The Management Company may not:

- a) carry out activity outside the investment objectives and strategy of the Fund, as laid down in the Rules and the Prospectus;
- b) receive income in the form of discounts on commissions of investment brokers, its orders are executed, or receive other income or non-monetary incentives, if they result in a conflict of interest or a violation of the obligation of the Management Company of equal treatment and due care to the interests of the individuals and funds whose activities or portfolio it manages;
- c) provide false or misleading information, including about the composition, value and structure of the portfolio assets of the Fund as well as about the condition of the market of financial instruments;
- d) use the assets of the Fund for purposes which are contrary to law, the regulations of its implementation, of these Rules or the Prospectus of the Fund;
- e) incur expenses for the account of the Fund, which contradict the provisions of the LACISOCIU and the regulations of its implementation;
- f) pursue activity of investing funds of the ETF in breach of a statutory prohibition or investment restrictions.

### ***Management Company limitations***

**Art. 32.** (1) Members of management and supervisory bodies of the Management Company, as well as any person who takes decisions on management of the Fund's activity, may not be the same person as the investment broker through which investment transactions are concluded and executed.

(2) The Management Company may not use and pledge the assets of the Fund to cover its liabilities which are not related to the Fund's management.

(3) The funds of the ETF may not be invested in financial instruments issued by the members of the management and supervisory of the Management Company or related persons.

(4) The limitation under the preceding paragraph shall not apply if the financial instruments are shares of companies of the Reference Index in which the Fund should invest as part of its investment mandate specified in the Prospectus and these Rules.

(5) Members of the management or supervisory bodies of the Management Company and related persons, and other persons working under a contract for the Management Company, may not be party to a transaction with the Management Company when it is acting for the Fund's account, except in their capacity of unitholders of the Fund, subject to restrictions stipulated by regulation, and subject to the rules of the Management Company for personal transactions under Art. 104, para 1, Item 2 of LACISOCIU.

(6) The limitation under the preceding paragraph shall not apply if the transactions are concluded on an official segment for trading on a regulated market (stock exchange), under market conditions and are part of the normal stock exchange turnover.

### ***Fees of the Management Company***

**Art. 33.** (1) The Management Company fees shall be determined in the following way: fixed remuneration amounting to an annual management fee of 1.00% (one percent) of NAV.

(2) The fee under para 1 shall be accrued each business day. At its own discretion, for the purposes of calculating NAV, the Management Company may decide not to charge any or to charge less than the allowable fees.

(3) Fees accrued during the month shall be paid to the Management Company in total for the whole month at the beginning of the following month.

(4) For the period which does not cover full year since the Fund's establishment, the fee of the Management Company shall be determined applying respectively the preceding paragraphs, so that the fixed remuneration under para 1, 1.00% (on annual basis) of the average net asset value of the Fund shall be for the period of its existence. Fees are also due for the period from the Fund's establishment until reaching the minimum net asset value of the Fund in accordance with Art. 9, para 1 of LACISOCIU.

(5) All costs associated with the Fund's activities that are not indicated in Art. 34, shall be for the Management Company's account. At its own discretion, the Management Company may not get reimbursement for the costs incurred in connection with the activities of the Fund, even that they fall within any of the categories stated in Art. 34, para 1 below.

### ***Fees and other expenses payable by the Fund***

**Art. 34.** (1) In addition to the Management Company fees specified in Art. 33, the operating expenses of the Fund shall include:

- a) all expenses for the incorporation of Fund, including fees to the Commission for authorization to organize and manage the Fund, Central Depository fee for registration of the Fund's units, fees for the respective Exchanges for admission to trading of the units of the Fund, including all fees to third parties associated with the process of admission of the Fund's units to trading on a given stock exchange, as well as fees for consultants, lawyers and investment intermediaries, including for consultations related to admission to trading of the Fund's units on a given stock exchange and for registration for offering the units of the Fund on a market outside of the Republic of Bulgaria;
- b) remuneration of the Custodian – according to the contract with the Custodian;
- c) remunerations and fees to investment brokers, banks, the Stock Exchange and the Central Depository and other related to the investment of the Fund's assets;
- d) remuneration of the auditors to certify the annual financial statements of the Fund, expenses for advertising and marketing of the Fund, for contact with investors, ongoing fees for supervision, fees for use of trademarks, membership and other similar fees paid to the Financial Supervision Commission, the Exchanges on which the units are traded, the Central Depository, other depository institutions, registrars and clearing organizations and other government authorities and institutions related to the recognition, registration, organization and regulation of operation of the Fund;

- e) expenses for realized transactions with securities and other liquid financial assets, including commissions of investment brokers, stock exchange charges, settlement fees, bank charges, money transfer fees, transmission fees for transaction execution and settlement, securities transfer fees, revaluation costs of investments in securities and assets, expenses related to foreign currency exchange rate losses, extraordinary expenses that are not through the fault of officials, and other expenses provided for under the law;
- f) other expenses stated in these Rules as payable by the Fund, legal and other costs associated with protection of the interests of the Fund's unitholders as well as other extraordinary expenses associated with the activities of the Fund;
- g) expenses for the calculation and publication of the indicative net asset value of the Fund and for the preparation and publication of the periodic reports required by law, stock exchange or depository rules or other similar act;
- h) expenses for external consultants in connection with the Fund's usual activities, including for marketing and advertising services, legal services, consulting services for registration and licensing on new markets and new stock exchanges, investor relation services, services for distribution of the Fund's units, services for specialized information support, subscription services for access to specialized information databases and systems, courier services and other one-off and periodic services directly related to the activities of the Fund.

(2) The Management Company shall get reimbursed for the costs incurred for the Fund under para 1 after reaching the minimum net asset value under Art. 9, para 1 of LACISOCIU.

(3) The Management Company shall conclude on behalf and for the account of the Fund the contracts with the providers of external services and inform the Custodian thereof. The Custodian may object to costs incurred by the Management Company for the account of the Fund, by refusing to confirm their inclusion in the calculation of the net asset value of the Fund. The confirmation of the NAV by the Custodian is considered to be an approval of the expenses incurred by the Management Company for the Fund's account.

#### ***Costs payable by investors***

**Art. 35.** (1) To cover the cost of sale, the Management Company shall include in the issue price of the units purchased on the primary market a charge amounting to maximum to 2.0% (two percent) of the net asset value per share, payable to the Management Company, unless otherwise agreed in a contract between the investor and the Management Company. The issue price of the Fund's units is defined as NAV per 1 share plus the charge due to the Management Company.

(2) The Management Company reduces the net asset value per share by a charge payable to the Management Company with the purpose to cover the expenses for the redemption in the maximum amount of 2.0% (two percent) of the net asset value per share, unless otherwise agreed in a contract between the investor and the Management Company. The redemption price of the Fund's units is defined as NAV per 1 share less the charge payable to the Management Company.

#### ***Advertising the Fund***

**Art. 36.** (1) Promotional materials related to the Fund's operation and non-improvised public statements of the members of the Board of Directors and other persons working under a contract for the Management Company may not contain false or misleading information as well as information which contradicts the information contained in the filed with the

Commission Prospectus of the Fund. Promotional materials and public statements shall be preliminarily approved by the Department of Internal control and compliance of the Management Company and kept on record as required under the law.

(2) Any promotional materials related to the public offering of units of the Fund shall contain information about the place where the Prospectus and the incorporation documents shall be made available to the public, information that the value of the units and their return may decrease, that profits are not guaranteed and that there is a risk investors may not recover the full amount of the invested funds, as well as other information required by regulations.

### ***Confidentiality***

**Art. 37.** (1) The members of the Board of Directors of the Management Company, its employees and all other persons working under a contract for the Management Company may not disclose, unless authorized so, and use for their benefit or for the benefit of others, any facts and circumstances concerning the balances and operations in the Fund's accounts for financial instruments and for cash, as well as any other facts and circumstances, constituting a trade secret, which have become known to them in the course of fulfilment of their official and professional obligations.

(2) The Management Company may provide information under the preceding provision only in accordance with Art. 35 of the MFIA, in relation to Art. 107 LACISOCIU.

### ***Liability of the Management Company***

**Art. 38.** The Management Company shall be liable to the unitholders of the Fund for all damages incurred by them as a result of default on obligations by the Management Company, including incomplete, inaccurate and untimely fulfilment of duties, when it is due to reasons for which the Management Company is responsible.

### ***Replacement of the Management Company and safeguarding the interests of unitholders in case of replacement of the Management Company***

**Art. 39.** (1) A replacement of the Management Company shall be done in accordance with Art. 26, para 3 of LACISOCIU upon withdrawal of the license for pursuit of activity and upon winding-up or declaring the Management Company in bankruptcy.

(2) (Am. by BD Resolution № 213/27.10.2017) Upon withdrawal of the license to pursue activity, upon winding-up or declaring the Management Company in bankruptcy, the Management Company shall deliver immediately to the Custodian the whole available information and documentation in relation to the Fund's management. The Custodian, as an exception, shall manage the Fund for a period no longer than 3 months.

(3) Within a 14-day period of occurrence of the circumstance under para 2, the Custodian should offer in writing to at least three management companies to take over the Fund management, or respectively to transform it through merger or acquisition.

(4) The offers under para 3 shall be with the same content and shall be submitted to the Deputy Chairperson within 3 days of their sending to the respective management companies, stating the criteria and reasons on the basis of which these management companies were selected by the Custodian. The management companies must meet at least the following conditions:

- a) to possess authorization to organize and manage at least one operating collective investment scheme;
- b) their capital adequacy and liquidity must meet the statutory requirements and not to be violated as a result of taking over the Fund's management;
- c) in the last two years preceding the conclusion of the contract, no pecuniary sanction should have been imposed on the management company, and on the members of its management or supervisory body – no administrative sanctions for breaches of LACISOCIU and the regulations of its implementation.
- (5) Within one month of sending all the offers under para 3 to the Commission, the management companies willing to take over the management of the Fund, or respectively to transform it, shall present to the Custodian a plan for the management of the Fund for 1 year from taking over that management, or a plan for its transformation.
- (6) Within 7 days of expiration of the term under para 5, the Custodian shall select the management company which will take over the management, respectively the transformation of the Fund, and shall notify the Commission attaching detailed reasons for the choice made and shall notify the relevant management company .
- (7) The selected Management Company, within 14 days of receiving the notification about having been chosen, shall present to the Deputy Chairperson of SEC, the plan for management of the Fund as well as the documents under Art. 37a of Ordinance № 11 from 2003 of the Commission and the documents under Art. 145 of LACISOCIU.
- (8) (Am. by BD Resolution № 213/27.10.2017, Am. by BD Resolution № 234/18.01.2018) In the preparation of the documents under para 7 above, the Management Company may not change substantially the Rules and the Prospectus of the Fund, including change its risk profile. The FSC shall pronounce on the submitted documents in accordance with Art. 18 of LACISOCIU.
- (9) (Am. by BD Resolution № 213/27.10.2017, Am. by BD Resolution № 234/18.01.2018) In case that no management company is selected or approved, which to manage, respectively transform the Fund, or the FSC refuses to give authorization to the new management company to manage the Fund, respectively to transform it, a procedure for termination of the Fund shall be initiated, irrespective of the expiration of the 3-month term under para 2.
- (10) The Management company shall publish at the indicated in Chapter VI, Item 4 of the Prospectus places a notice for termination of the management by the Management Company and the reason for the termination, as well as that the public offering and redemption of units are temporarily suspended until the appointment of another management company.
- (11) (Am. by BD Resolution № 213/27.10.2017) In the cases of replacement of the Management Company, the new management company must publish on its website, as well as on the website of the former Management Company, information about its name and legal seat.
- (12) The management companies (both the former, and the new one – in case of replacement) shall not be liable to its creditors with the Fund's assets.
- (13) The unit of investors in the Fund, kept on client subaccounts to the account of the former Management Company with the Central Depository or with another depository institution, shall be transferred to client subaccounts to the account with the Central Depository or another depository institution of the new management company. The securities entered in Central Depository or another depository institution shall be considered as regards all third parties as

securities of their holders, i.e. of the unitholders, although they are registered in subaccounts to the account of another entity – a management company.

(14) (New, by BD Resolution № 213/27.2017) Every investor is entitled to request redemption of his/her units during the procedure of replacement of a management company, without owing higher fees and without any other additional costs, except for the redemption costs.

## **SECTION VI**

### **CUSTODIAN**

#### ***Requirements to the Custodian***

**Art. 40.** (1) (Am. by BD Resolution № 219/24.11.2017) (Am. by BD Resolution 241/14.02.2018) The Custodian of the Fund is a bank that meets the requirements of Art. 35, para 1 of LACISOCIU or an investment intermediary that meets the requirements under Art. 35, para 2-5 of LACISOCIU.

(2) the Custodian may not be one and the same entity or related entity to the Management Company, with the members of its management and supervisory bodies or to another person who performs management or supervisory functions in respect to the Fund. The Custodian cannot be a creditor or a guarantor of the Fund, except for its receivable under the agreement for custodian services.

#### ***Functions of the Custodian***

**Art. 41.** (1) The Custodian shall keep and supervise the assets of the Fund, including:

- a) keeps the funds and other assets owned by the Fund in the Fund's name in accordance with the provisions of the statutory acts and/or the agreement for custodian services;
- b) keeps in its subaccount the registered with the Central Depository or with other depository dematerialized financial instruments owned by the Fund;
- c) keeps the Bulgarian government securities owned by the Fund in its client subregister with the Bulgarian National Bank;

d) (New, by BD Resolution № 219/24.11.2017) Fulfils other functions as well, as provided for in Chapter Five of LACISOCIU and in Regulation (EU) 2016/438 of the Commission of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries.

(2) The Custodian shall exercise control and make payments for the account of the Fund.

(3) The Custodian shall exercise control over the determination of the net asset value, NAV per unit, the issue price and redemption price of the units.

(4) The Custodian shall exercise supervision over compliance by the Management Company with the other requirements of the law, the sub statutory acts, these Rules and the Prospectus of the Fund.

(5) The relations between the Management Company as managing and representing the Fund, on one side, and the Custodian, on the other side, shall be settled by a contract.

### ***Contract with the Custodian***

**Art. 42.** (1) The contract with the Custodian shall contain:

- a) the subject of the contract;
- b) rights and obligations of the parties;
- c) term of the contract, breaking and termination;
- d) the expenses by types and the manner of their allocation between the parties;
- e) (Am. by BD Resolution № 219/24.11.2017) other required under LACISOCIU and the regulations of its implementation provisions and the minimum obligatory elements of the contract with the Custodian pursuant to Regulation (EU) 2016/438 of the Commission of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries.

(2) The remuneration of the Custodian shall be determined in the contract with it.

(3) The Contract with the Custodian shall be concluded in compliance with the provided by law and these Rules requirements and restrictions. The contract with the Custodian may not contradict these Rules and the legal regulations. In case of inconsistency between the legal regulations and the contract with the Custodian, the provisions of the legal regulations shall apply.

(4) The conditions of the contract with the Custodian may not be changed unilaterally by the Custodian or the Management Company and the contract may not refer to internal documents of the Custodian or the Management Company, such as rules, tariffs, general term and conditions and others, that may be changed unilaterally by the Custodian or the Management Company. Any change in the contract shall be made obligatorily in writing and shall be signed by both parties.

### ***Rights and obligations of the Custodian***

**Art. 43.** (1) (Am. by BD Resolution № 219/24.11.2017) The Custodian shall:

- a) ensure that the issue, sale, redemption and cancellation of the units of the collective investment scheme shall be made in compliance with the law and with these Rules;
- b) ensure that the value of the units of the collective investment scheme is calculated in compliance with the law and these Rules;
- c) ensure transfer in the usual terms of all funds in favour of the Fund, arising from transactions with its assets;
- d) ensure that the income of the Fund is allocated in compliance with the law and these Rules;
- e) report regularly to the Management Company on the Fund's assets on custody and the transactions made, including by providing a full account of the Fund's assets.

(2) (Am. by BD Resolution № 219/24.11.2017) the Custodian shall also fulfil other obligations, arising from the contract under Art. 42, law, sub statutory act or Regulation (EU) 2016/438 of the Commission of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and the Council with regard to obligations of depositaries.

(3) In the performance of its obligations the Custodian shall be guided only by the interest of the unitholders of the Fund.

(4) The Custodian shall be liable to the Management Company and the unitholders of the Fund for all damages suffered by them as a result of default on obligation by the Custodian, including incomplete, inaccurate and untimely fulfilment of obligation.

(5) (Am. by BD Resolution № 219/24.11.2017) The Custodian shall keep the assets of the Fund – in compliance with the requirements of Art. 35a LACISOCIU and shall not be liable for its liabilities to its creditors with assets which it holds on behalf and for the account of the Fund pursuant to Art. 36, para 1 of LACISOCIU.

(6) The Custodian under no circumstances may block assets of the Fund against claims directed against the Management Company, regardless of whether these claims are by a third party, including law enforcement officers or the National Revenue Agency, or from any other government bodies.

(7) The Custodian shall keep, record and report the assets of the Fund – both financial instruments, and cash – off-balance-sheet, without including them in its balance sheet,

8) The Custodian shall keep and report the assets of the Fund – both financial instruments and cash – separately from its assets, from the assets of the Management Company and from the assets of its other clients under contracts for custodian services.

#### ***Custodian fees***

**Art. 44.** (1) The amount of the Custodian fees has to be reasonable in view of the usual fees for work of the same nature and volume, and the market conditions in the country.

(2) The Custodian fees may be determined as a fixed fee for a certain period and/or commissions for specific transactions according to the Custodian's tariff or the contract with the Custodian, for instance fees and commissions for maintenance and management of securities accounts, money transfers, for supervision over the calculation of the net asset value of the Fund. The Custodian fees may not be determined or changed unilaterally, without the consent of the Management Company, by the Custodian with amendments to its internal documents, such as rules, tariffs, general terms and conditions, etc.

#### ***Replacement of the Custodian and safeguarding the interests of unitholders in case of replacement of the Custodian***

**Art. 45.** (1) (Am. by BD Resolution 241/14.02.2018) The Custodian may be replaced only after approval by the FSC as proposed by the Deputy Chairperson under the conditions and the procedure of the legislation in force.

(2) (Am. by BD Resolution № 219/24.11.2017) Approval for replacement shall be issued only if the new custodian is duly licensed and supervised, meets the requirements of Art. 35 of LACISOCIU, has the necessary personnel, capital and IT systems availability, as well as if the other requirements of LACISOCIU and the regulations of its implementation are complied with.

(3) In making a decision on the Custodian replacement, the Management Company shall take into account all stated in the preceding paragraph and legally provided requirements and restrictions, applicable in respect to the Custodian. Upon occurrence of the envisaged in the law circumstances, the Management Company shall, immediately upon coming to know of their occurrence, file with the Commission the necessary documents for approval of the Custodian replacement.

(4) In the cases of termination of the contract with the Custodian by mutual agreement or by a prior notice, the Management Company must file with the Commission the necessary documents for approval of the change of the Custodian not later than 14 days before the agreed or specified in the prior notice date of the contract termination.

(5) (Am. by BD Resolution 241/14.02.2018) The cash and the dematerialized financial instruments of the Fund shall be transferred to the indicated by the Management Company and approved by the FSC new Custodian, respectively to the client subaccounts opened with a depositary institution to the account of the new Custodian. The transfer of materialized financial instruments and other assets is done with their delivery to the new Custodian. The specific terms, conditions and procedures for transfer of the Fund's assets to another Custodian shall be agreed in the contract with the Custodian and shall be effected after the approval under para 1. These terms may not be shorter than 5 days, considered from the date of the written notification by the Management Company to the Custodian about the obtained from the FSC approval of the replacement.

(6) (Am. by BD Resolution № 213/27.10.2017) The replacement of the Custodian shall be done in a manner guaranteeing the continuous and unimpeded fulfilment of the obligations under Art. 43 of the Rules. The former Custodian shall continue to discharge its duties up to the point of time when the new Custodian will be able to take them over in full extent.

(7) The Custodian (both the former and the new one – in case of replacement) shall not be liable to its creditors with the assets of the Fund, i.e. the creditors of the Custodian may not satisfy their claims by directing disposal of the Fund's assets, regardless that the assets are kept with the Custodian or in its accounts with a depositary institution.

## **SECTION VII**

### **INVESTMENT INTERMEDIARY**

#### ***Functions of the investment intermediary***

**Art. 46.** (1) The Management Company shall appoint and conclude a contract with an investment intermediary for the execution of transactions with securities in relation to the investment of the Fund assets, in compliance with the provisions of the law and these Rules.

(2) The investment intermediary shall perform the investment directions of the Management Company in respect to the execution of transactions under para 1.

(3) The Management Company, members of its management and supervisory body as well as any person who takes decisions on management of the investment activity of the Fund, may not be one and the same person with the investment intermediary through whom the investment transactions are concluded and executed.

## **SECTION VIII**

### **MARKETMAKER AND CASES OF SUSPENSION OF TRADING ON THE SECONDARY MARKET**

#### ***Functions of the marketmaker***

**Art. 47.** (1) The Management Company shall appoint and conclude a contract with at least one Marketmaker to ensure a stock exchange price on the regulated market on which the Fund's units are traded.

(2) The marketmakers must comply with the requirements of the respective stock exchanges and the regulations related to their activity as well as the additional requirements and conditions agreed in the contract with the Management Company.

(3) The marketmaker shall have the right to:

a) to subscribe new units of the Fund on the primary market, in compliance with the legal requirements for subscription of units on a primary market of an exchange-traded fund for direct replication of a Reference Index and complying with the additional requirements and conditions for subscription of units of the Fund on the primary market, as described in these Rules and his contract with the Management Company;

b) to sell the units of the Fund on a primary market, in compliance with the legal requirements for sale and redemption of units on a primary market of an exchange-traded fund with direct replication of a Reference Index and complying with the additional requirements and conditions for sale and redemption of units of the Fund on a primary market, as described in these Rules and his contract with the Management Company.

### ***Suspension of trading on a secondary market***

**Art. 48.** (1) The Management Company shall forward a reasoned request to the regulated market on which the Fund's units are traded, for suspension of trading with the Fund's units, where:

- a) On the regulated market on which a substantial part of the Fund's assets are admitted to trading or traded, the execution of transactions is terminated, suspended or subject to restrictions. The regulated market shall suspend the trade with units of the Fund and immediately notify the Commission of it;
- b) In all cases when the issue and redemption of units on a primary market is temporary suspended – for the period of the temporary suspension;
- c) The Management Company shall notify by the end of the business day the Commission and the respective competent authorities of all Member States, in which units of the Fund are offered (if any, other than Bulgaria), the Custodian and the regulated market on which the Fund's units are traded, of the suspension of the redemption, in order the regulated market to suspend trading with the units of the Fund on a secondary market.

(2) (Am. by BD Resolution № 213/27.10.2017) The trading with units of the Fund suspended under para 1 shall resume at request of the Management Company, and upon notifying the Commission, and resumption of trading must begin no later than one business day after the dropping out of the conditions for trading suspension.

## **SECTION IX DISCLOSURE. AUDIT**

### **Disclosure of information**

**Art. 49.** (1) The Management Company shall adopt and submit to the Commission and the regulated market on which the units of the Fund are traded:

- a) An annual report within 90 days after the end of the fiscal year;
- b) a half-yearly report covering the first 6 months of the fiscal year, within 30 days after the end of the reporting period;
- c) other information as envisaged by an ordinance for the application of LACISOCIU.

(2) The contents of the information under para 1, the procedure, time-limits and manner of its submission to the Commission, as well as its public dissemination shall be as laid down in the LACISOCIU and the sub statutory acts of its application. The Management Company shall provide investors with the opportunity to get acquainted with the above mentioned reports at the office of the Management Company, as well as through its website.

(3) The Management Company shall publish an announcement about the presentation of the annual or interim report as well as about the place, time and manner of getting familiar with it on its website within 7 days of the report's submission to the Financial Supervision Commission (the Commission). The announcement shall be published first in the official bulletin of the Financial Supervision Commission.

(4) By the 10<sup>th</sup> day of the month following the reporting month, the Management Company of the Fund shall submit at the Commission the monthly balance sheet and information on the volume and structure of the investments in the portfolio by issuers and types of securities and other financial instruments.

(5) The Commission shall make public the information received under para 1 through the registers kept by it.

### ***Audit***

**Art. 50.** (1) The annual financial statements of the Fund shall be certified by a registered auditor, and the results of the inspection conducted by the audit shall be reflected in a separate report which is included in the annual report.

(2) The auditor of the Fund shall inform immediately the Commission of any circumstance that has become known to him in the course of the audit and which relates to the Fund's operation and constitutes material breach of LACISOCIU and the regulations of its application, or may affect adversely the carrying out of the Fund activities, or constitute a ground for denial to state an opinion, a ground to express reservations or a ground to express a negative opinion.

(3) The auditor of the Fund shall also inform the Commission of any circumstance under para 2 that he has become aware of in conducting audit of a related to the Fund, the Management Company or the Custodian entity.

## **SECTION X TRANSFORMATION AND TERMINATION**

### **Transformation**

**Art. 51.** (1) According to Art. 141, para 1 of LACISOCIU, the Fund may be restructured by resolution of the Management Company only through consolidation and merger after an approval by the Commission.

(2) After the approval of the Commission under para 1, the Management Company shall cease to receive order for sale or redemption of units of the Fund.

(3) The transformation of the Fund shall be realized in accordance with Chapter Fourteen, Section I – IV of LACISOCIU and Chapter Four, Section I – IV of Ordinance № 44.

### ***Termination***

**Art. 52.** (1) The Fund shall be terminated:

- a) By resolution of the Board of Directors of the Management Company, including also in the case of redemption of all units;
- b) In the event of withdrawal by the Commission of the authorization of the Management Company to organize and manage the Fund;
- c) In the cases under Art. 39, para 1 of these Rules, if no replacement of the Management Company takes place;
- d) in other cases as envisaged by law.

(2) Outside of the case under para 1, letter „b“, the termination of the Fund shall be completed with a permission by the Commission under the conditions and procedure set forth in Chapter Fourteen of LACISOCIU, Section V and Chapter Four, Section V of Ordinance № 44. The persons proposed as liquidators of the Fund as well as the liquidation plan which should envisage measures for the unitholders protection, including prohibition to execute transactions with assets of the Fund, unless that is necessitated by the liquidation, shall be approved with the permission of the Commission.

(3) After deducting the liabilities and determining the net asset value of the Fund, the liquidator shall duly announce the conditions, procedure and timeframe for payment by the Custodian of the quotas of the Fund's net assets due to the investors, proportionate to the amount of units held by them.

(4) The Fund shall be terminated by its deletion from the Register of the Commission.

### ***Original copies***

**Art. 53.** These Rules were signed in 3 (three) original copies in the Bulgarian language.

### ***FINAL PROVISIONS***

§ 1. For any matters not explicitly settled herein, shall apply the provisions of LACISOCIU, the Obligations and Contract Act and the other applicable legislation.

§ 2. In the event of discrepancy between provisions of these Rules and imperative provisions of a statutory act, the latter shall apply, without amendment to the Rules to be necessary, unless explicitly envisaged by a statutory act or these Rules. In the case of the preceding sentence, the Management Company shall take timely actions to bring these Rules in line with the statutory acts, respectively the amendments thereto.

§ 3. (New BD Resolution № 234/18.01.2018) “Expat Greece ASE UCITS ETF” is not in any way sponsored, endorsed, sold or promoted by the Athens Stock Exchange (“ATHEX”) and ATHEX makes no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the “ATHEX Composite Share Price Index” and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is calculated by ATHEX. ATHEX shall not be liable (whether in negligence or otherwise) to any person for any error in the Index and ATHEX shall not be under any obligation to advise any person of any error therein. “ASE”, “ATHEX” and “ATHEX Composite Share Price Index” are trademarks of the Athens Stock Exchange.

§ 4. (Am. by BD Resolution № 234/18.01.2018) These Rules were adopted by Protocol № 190/23.02.2017, Protocol № 213/27.10.2017, Protocol № 219/24.11.2017, Protocol № 234/18.01.2018, Protocol № 241/14.02.2018 and Protocol № 246/01.03.2018 of the Board of Directors of Management Company Expat Asset Management EAD.