ROMANIA

CAPITAL MARKET LAW

THE CAPITAL MARKET LAW NO. 297/2004

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TITLE I

GENERAL PROVISIONS

Art. 1
(1) This law regulates the setting up and the functioning of the financial instruments markets, with their specific institutions and operations, as well as of collective investment undertakings in order to provide a framework for investments in financial instruments.

(2) This law is applied to the activities and operations referred to in paragraph (1), carried out on the territory of Romania.

(3) The National Securities Commission, hereinafter referred to as C.N.V.M is the competent authority that enforces this law by enforcing the prerogatives established in its statute.

(4) The provisions of this law are not applied to the money market instruments that are regulated by the National Bank of Romania, and to the government securities issued by the Ministry of Public Finance, if the issuer chooses for trading these instruments on a market other than the regulated market as defined in article 125.

(5) The provisions of this law are not applied in case of the public debt management where the National Bank of Romania, the central banks of the Member States and other national entities with similar functions in the Member States, the Ministry of Public Finance, as well as other public entities are involved.

Art. 2
(1) For the purposes of this law, the terms and expressions mentioned below carry the following meanings:

1. **significant shareholder** – a natural/legal person or group of persons acting in concert and directly or indirectly hold in a firm 10% or more of the share capital or of the voting rights, or hold enough to exercise a significant influence over the decisions taken in the General Meeting of the Shareholders or in the Board, by case.
2. **netting** – the conversion into one net claim or one net obligation of all claims and obligations resulting from transfer orders which a participant or participants either issue to, or receive from, one or more other participants with the result that only a net claim can be demanded or a net obligation owed;

3. **joint investment business** – an investment business carried out for the account of two or more persons over which two or more persons have rights that may be exercised by means of the signature of one or more of those persons;
4. **issuer** – entity that holds legal status or not and that has issued, is issuing or plans to issue financial instruments;
5. **regulated entities** – natural and legal persons as well as entities with no legal personality whose activity is regulated and/or supervised by C.N.V.M.;
6. **subsidiary** – a place of business where there is one partner or shareholder under one of the situations referred to in paragraph 27;
7. **investment fund** – collective investment scheme with no legal personality;
8. **open- end investment fund –** collective securities investment scheme with no legal personality, whose units are subject to ongoing issuing and repurchasing ;
9. **group** – an association of companies made up of a parent company, its subsidiaries and the entities where the parent company or its branches hold equity participation, as well as companies tied together by a relationship that requires account consolidation and annual report consolidation ;
10. **credit institution** – entity defined according to article 1 of the Law no. 58/1998 on banking activity with subsequent amendments and completions ;
11. **financial instruments** mean:
    a) transferable securities;
    b) units in collective investment undertakings;
    c) money market instruments including government securities with maturity less than one year and deposit certificates;
    d) financial-futures contracts, including equivalent cash-settled instruments;
    e) forward interest-rate agreements, hereinafter referred to as FRA ;
    f) interest-rate, currency and equity swaps;
    g) options to acquire or dispose of any instruments falling within the scope of subparagraphs a) – d), including equivalent cash-settled instruments; this category includes options on currency and on interest rates;
    h) derivatives on commodities;
    i) any other instrument admitted to trading on a regulated market in a Member State or for which a request for admission to tarding on such a market has been made;
12. **derivative financial instruments –** instruments referred to in paragraph 11 subparagraph d), g), h), combinations of these, as well as other qualified instruments according to the regulations of C.N.V.M.;
13. **money market instruments -** those classes of instruments which are normally dealt in on the money market;
14. **intermediaries** – investment firms authorised by C.N.V.M., credit institutions authorised by the National Bank of Romania according to the relevant banking legislation, as well as other such entities authorised in Member or non-Member States to carry out investment services such as those referred to in art. 5;
15. **qualified investor:**
    a) legal entities which are authorised to operate in financial markets, including credit institutions, investment undertakings, other authorised or regulated financial institutions, insurance companies, collective investment schemes and

their management companies, pension funds as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities;
b) local and central public administration authorities, central credit institutions, international and supranational institutions such as the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations;
c) other legal entities that meet two of the following three criteria:
1. an average number of employees during the financial year larger than 250;
2. a total balance sheet exceeding the equivalent of 43,000,000 euro;
3. an annual net turnover exceeding the equivalent of 50,000,000 euro;
d) certain natural persons, subject to mutual recognition. C.N.V.M. may choose to authorise natural persons who are residents in Romania and who apply to be considered as qualified investors if these persons meet at least two of the following criteria:
1. the investor has carried out transactions of a significant size on a regulated market at an average frequency of, at least, 10 per quarter over the previous four calendar quarters;
2. the size of the investor's securities portfolio exceeds 500,000 euro;
3. the investor works or has worked for at least one year in the financial sector in a professional position which requires knowledge of securities investment;
e) certain SMEs, subject to mutual recognition. C.N.V.M. may choose to authorise SMEs which have their registered office in Romania and which apply to be considered as qualified investors. For the purpose of this law, „small and medium-size enterprises" are those companies, which, according to their last financial statements reported, do not meet two of the three criteria set out in subparagraph c);

16. **close links** – the situation in which two or more natural or legal persons are linked by:
a) participation, which shall mean the ownership, direct or by way of control, of 20% or more of the voting rights or share capital of an undertaking;
b) control, which shall mean the relationship between a parent undertaking and a subsidiary or a similar relationship between any natural or legal person and an undertaking; any subsidiary undertaking of a subsidiary undertaking shall also be considered a subsidiary of the parent undertaking which is at the head of those undertakings; a situation in which two or more natural or legal persons are permanently linked to one and the same person by a control relationship shall also be regarded as constituting a close link between such persons.
17. **offeror or person making an offer –** means a legal entity or individual which offers securities to the public or offers to buy securities;
18. **offer of securities to the public**– means a communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable the investor to decide to sell, purchase or subscribe to these securities. This definition shall also be applicable to the placing of securities through financial intermediaries;
19. **takeover bid** – public purchase offer that results, for the entity that launches it, in the purchasing of more than 33% of voting rights in a company;

20. **collective investment undertakings** – organised undertakings, with or without legal personality, hereinafter called O.P.C. which attract, either privately or publicly, the financial resources of natural and/or legal persons, in order to invest them in accordance with the provisions of this law and with the regulations issued by C.N.V.M.;
21. **person** – any natural or legal person;
22. **involved persons:**
    a) persons that control or are controlled by an issuer or that are under joint control;
    b) persons that participate directly or indirectly to the conclusion of agreements in order to obtain or exercise voting rights jointly, if the shares subject to the agreement grant controlling position;
    c) natural persons within issuing companies that are part of the company's control and management;
    d) spouses, relatives and in-laws, second rank ones included, of the natural persons referred to in subparagraph a), b) and c) ;
    e) persons that are able to appoint the majority of Board members within an issuer;
23. **persons acting in concert** – two or more persons, linked by a concluded agreement or by a gentlemen's agreement in order to enforce a common policy regarding an issuer. The following persons are presumed to act in concert, if no adverse evidence is in place:
    a) involved persons;
    b) the parent company together with its subsidiaries, as well as any of the subsidiaries of the same parent company among themselves;
    c) a firm with its Board members and with the involved persons, as well as these persons among themselves;
    d) a firm with its pension funds and with the management company of these funds;
24. **insolvency proceedings** - collective measure provided by the Law no. 253/2004 on settlement finality in payment and securities settlement systems or by the foreign legislation either to wind up a participant or to reorganise it, where such measure involves the suspending of, or imposing limitation on, transfers or payments;
25. **offering programme** – a plan which would permit the issuance of non-equity securities, in a continuous or repeated manner during a specified issuing period;
26. **alternative trading system** – a system which brings together more parties which buy and sell financial instruments, in a manner that results in the conclusion of contracts, also called multilateral trading system;
27. **parent undertaking** – legal person, shareholder or associate of a firm which can be found in one of the following situations:
    a) holds directly or indirectly the majority voting rights in the company;
    b) may appoint or discharge the majority members of management and control or other decision-making persons in the company;
    c) may exercise significant influence over the entity where it acts as shareholder or associate, based on the clauses included in the contracts signed with that

entity or based on certain provisions included in the instruments of incorporation of that entity;

d) he is shareholder or associate in an entity and:
   1. has appointed alone, as a result of exercising his voting rights, the majority members of management and control bodies or the majority managers of subsidiaries during the last two financial years, or,
   2. it controls, on its own, based on an agreement signed with the other shareholders or associates, the voting rights majority;

28. **Member States** – the Member States of the European Union and the other states which belong to the European Economic Area;
29. **home Member State:**
    a) the Member State where the registered office of the investment company or the management company is situated; if, under its national law, the firm has no registered office, the home Member State is that in which its head office is situated;
    b) the Member State where the registered office of the body which provides trading facilities is situated; if, under its national law, the body has no registered office, the home Member State is that in which the body's head office is situated;
    c) the Member State where the registered office of a management company of an undertaking for collective investment in securities, established as open end investment fund, is situated, as well as the Member State where the registered office of the investment company is situated, in the case of an undertaking for collective investment in securities established as an investment company;
30. **host Member State:**
    a) the Member State in which an investment company or a management company has a branch or provides services;
    b) the Member State, other than the home Member State of the undertaking for collective investment in securities, where the securities issued by the latter are traded;
31. **branch** – organised structure, with no separate legal personality, of a firm which provides one or all of the services for which the firm has been authorised, according to the mandate received. All the places of business set up in Romania by a firm with registered office or headquarters in a Member State shall be regarded as a single branch;
32. **participation titles** – units or shares issued by collective investment undertakings according to their legal form;
33. **transferable securities**:
    a) shares issued by companies and other securities equivalent to shares in companies, traded on the capital market ;
    b) bonds and other forms of securitised debt, including government securities with a maturity of over 12 months, which are negotiable on the capital market;
    c) any other securities normally dealt in, giving the right to acquire any such transferable securities by subscription or exchange, or giving rise to a cash settlement, excluding instruments of payment;

34. **equity securities** – shares and other transferable securities equivalent to shares in companies, as well as any other type of transferable securities giving the right to acquire any of the aforementioned securities as a consequence of their being converted, or the right conferred by them being exercised, provided that securities of the latter type are issued by the issuer or by an entity belonging to the group of the said issuer;
35. **non-equity securities** – all securities that are not equity securities;
36. **securities issued in a continuous or repeated manner –** securities of the same type and/or class issued continuously or at least in two distinct issuances over a period of 12 months.

(2) C.N.V.M. at its own decision or at the request from the interested party, may issue administrative acts, which include opinions related to the qualification of any person, institutions, situations, information, operations, legal document or marketable instruments as regards to their inclusion or exclusion from the scope or the meaning of terms and expressions as set out in paragraph (1),

(3) Any natural or legal person, if it considers that its rights acknowledged by law have been harmed, either by an administrative document or by the unjustified refuse of C.N.V.M. to address a request regarding a right acknowledged by law, may turn to the Administrative Court within the Bucharest Court of Appeal.

(4) The fact that the plaintiff has not been given an answer within the term provided in the legislation in force from the filing of the petition is also considered an unjustified refuse to address a request regarding a right acknowledged by law.

(5) In order to perform its supervisory activity, C.N.V.M. may:

a) verify the modality of fulfilling the legal and statutory attributions and obligations of managers, directors, chief executive officers, as well as of other persons linked to the activity of the regulated or supervised entities;
b) require the Board of the regulated entities referred to in subparagraph a) to convoke its members meeting or, as the case may be, the general shareholders meeting, establishing the topics which must be included in the agenda;
c) require the competent court to decide upon the convocation of the general shareholders meeting provided that the provisions set out in subparagraph b) are not complied with;
d) require information and documents from the issuers whose securities are subject to public offers, or which have been admitted to trading on a regulated market or are traded in an alternative trading system;
e) conduct controls at the premises of the entities regulated and supervised by C.N.V.M.;
f) hear any person in connection with the activities conducted by the entities regulated and supervised by C.N.V.M.

(6) The C.N.V.M. Register, kept in accordance with the provisions of this law, is a public document.

(7) The unauthorised provision of any activity referred to in this law, the unauthorised use of the phrases *investment services*, *investment company*, *investment services agent, management company*, *investment undertaking*, *open-end investment fund*, *regulated market* and *stock exchange* in association with any of the financial instruments referred to in paragraph 2 indent 11, and with commodities, or the use of any combination of the aforementioned expressions incur liability in accordance with the provisions of the law.

TITLE II
INTERMEDIARIES

Chapter 1
General provisions

Art. 3
(1) The investment services provided in art. 5, underlying the financial instruments referred to in art. 2, paragraph (1), indent 11 can be provided as part of their profession only by the intermediaries referred to in art. 2 paragraph (1), indent 14.

(2) The intermediaries which provide investment services in Romania shall be registered in the C.N.V.M Register as follows:

a) investment firms and intermediaries in non-Member States, based on the authorisation granted by C.N.V.M.;
b) credit institutions authorized by the National Bank of Romania;
c) equivalent of the credit institutions and the financial investment services companies authorized by the competent authorities of the Member States.

(3) In all official papers, the intermediary must provide, besides its identification data, the number and the date of its being registered with the C.N.V.M Register.

(4) The rights granted by this title cannot be extended to the services provided as counterparty to the state, the National Bank of Romania or other public institutions or authorities that perform similar functions, in respect of monetary policy, exchange-rate, public debt and state reserve management.

(5) The provisions of chapters V and IX, as well as those of art. 23 paragraph (4), art. 24, art. 25 and art. 42 paragraph (1) and (2) shall be similarly enforced on credit institutions, while compliance supervision shall be carried out by C.N.V.M.

(6) Compliance with authorisation and capital adequacy requirements by credit institutions shall be supervised by the National Bank of Romania.

Art. 4
(1) Investment services are provided by natural persons acting as agents of investment firms. These agents carry out their activity exclusively for the account of the intermediary whose employees they are, and cannot provide investment services for their own account.

(2) No natural or legal person can provide investment services without being registered with the C.N.V.M Register.

(3) C.N.V.M. sets procedures regarding the registration of investment services agents with the C.N.V.M Register, as well as regarding their situations of incompatibility.

Chapter II
Investment services

Art. 5
(1) The investment services regulated by this law are:

1. *core services*:

a) reception and transmission, on behalf of investors, of orders in relation to one or more financial instruments;
b) execution of such orders in relation to one or more financial instruments other than for own account;
c) dealing in any of the financial instruments for own account;
d) managing portfolios of investments in accordance with mandates given by investors on a discretionary, client-by-client basis, when such portfolios include one or more financial instruments;
e) the underwriting in any financial instruments and/or the placing of such financial instruments.

2**.** *non-core services***:**

a) safekeeping and administration of financial instruments;
b) safe custody services;
c) granting credits or loans to an investor to allow him to carry out financial instruments transactions, where the firm granting the credit or loan is involved in the transaction;
d) advice to undertakings on capital structure, industrial strategy as well as advice and service relating to mergers and the purchase of undertakings;
e) other services related to financial instruments underwriting;
f) investment advice concerning financial instruments;

g) foreign exchange services where these are connected with the provision of investment services.

(2) C.N.V.M. shall issue regulations on the provision of investment services in accordance with the provisions laid down in art. 5 paragraph (1).

Chapter III

Investment firms

Art. 6
Investment firms, hereinafter referred to as S.S.I.F., are legal persons, established as joint-stock companies, issuers of nominative shares, according to Law no. 31/1990, which have as their regular business the provision of investment services and which function only based on the authorisation granted by C.N.V.M.

Section 1
Initial capital

Art. 7
(1) The initial capital of a S.S.I.F. shall be determined according to C.N.V.M. regulations issued in compliance with the Community legislation in force and shall be equal to at least:

a) the ROL equivalent of 50,000 euro calculated at the reference rate announced by the National Bank of Romania, if the S.S.I.F. which provides the investment services referred to in art. 5 paragraph (1), indent 1 subparagraph a), b) and d), does not hold funds and/or financial instruments which belong to investors, does not trade financial instruments for its own account and does not underwrite securities issues based on a firm agreement;
b) the ROL equivalent of 125,000 euro calculated at the reference rate announced by the National Bank of Romania, if the S.S.I.F. provides the investment services referred to in art. 5 indent 1 subparagraph a), b) and d) and indent 2 subparagraph a), b), d) f) and g), does not trade financial instruments for its own account and does not underwrite securities issues based on a firm agreement;
c) the ROL equivalent of 730,000 euro for the S.S.I.F. authorised to provide all the investment services referred to in art. 5, paragraph (1)

(2) By 31 December 2004, the S.S.I.F.s referred to in paragraph (1) subparagraph b) must increase their initial capital to at least the ROL equivalent of 85,000 euro, and the S.S.I.F.s referred to in paragraph (1) subparagraph c) must increase their initial capital to

at least the ROL equivalent of 315,000 euro, calculated at the reference rate announced by the National Bank of Romania.

(3) By 31 December 2005, the S.S.I.F.s referred to in paragraph (1) subparagraph b) must increase their initial capital to at least the ROL equivalent of 105,000 euro, and the S.S.I.F.s referred to in paragraph (1) subparagraph c) must increase their initial capital to at least the ROL equivalent of 530,000 euro, calculated at the reference rate announced by the National Bank of Romania.

(4) By 31 December 2006, the S.S.I.F.s referred to in paragraph (1) subparagraph b) must increase their initial capital to at least the ROL equivalent of 125,000 euro, and the S.S.I.F.s referred to in paragraph (1) subparagraph c) must increase their initial capital to at least the ROL equivalent of 730,000 euro, calculated at the reference rate announced by the National Bank of Romania.

(5) The initial capital shall be considered part of own funds, including the called-up and the paid-up share capital, as well as other items of the balance sheet, calculated in accordance with the methodology set out in C.N.V.M. regulations, in compliance with the Community legislation in force.

(6) In order to comply with the requirements laid down in the Community legislation in force, C.N.V.M. shall modify, by order of its President, the initial capital level of S.S.I.F.s.

(7) The reference exchange rate referred at this article is the one of the day when the reporting is made.

(8) S.S.I.F. provided at paragraph (1) subparagraph b) may hold financial instruments on its own account, if the following conditions are simultaneous fulfilled:

a) holdings of the financial instruments on its own account arise only as a result of a failure of a S.S.I.F. to match the investors' orders precisely;

b) total market value of all financial instruments held on its own account is subject to a ceiling of maximum 15% of the initial capital of the respective company;

c) S.S.I.F. observes the requirements referring to capital adequacy in accordance with the Community legislation;

d) financial instruments holdings on its own account are accidental and provisional in nature and strictly limited to the time required to carry out the transaction in question.

Section 2

Authorisation, suspension and withdrawal of authorisation

Art. 8

(1) S.S.I.F.s will be authorised by C.N.V.M. to provide investment services if they cumulatively meet the following conditions:

a) the firm is established under the legal form of a joint-stock company;

b) the registered office and the head office, as the case may be, representing the main office where the activity is managed and controlled are established in Romania;

c) its regular business exclusively refers to the provision of investment services;

d) the qualification, professional expertise and integrity of managers, directors, auditors and employees within the internal control department comply with the provisions set out in C.N.V.M. regulations;

e) evidence of the minimum initial capital, called-up and fully paid-up in cash, according to the investment services provided;

f) submission of the business plan, description of the organisational structure and of internal regulations;

g) submission of the contract concluded with a financial auditor, member of the Financial Auditors Chamber of Romania (CAFR) and who fulfils common criteria set up by C.N.V.M. and the Financial Auditors Chamber of Romania;

h) submission of shareholder structure, evidence of the identity and integrity of significant shareholders;

i) other requirements laid down in C.N.V.M. regulations.

(2) The authorisation granted by C.N.V.M. to a S.S.I.F. shall clearly mention the investment services it is allowed to provide according to the provisions of art. 5, paragraph (1) indent 1 and 2 and cannot include only the non-core services set out in art. 5, paragraph (1) indent 2.

(3) Where close links exist between S.S.I.F. and another natural or legal person, C.N.V.M. grants authorisation to provide investment services to the said S.S.I.F. only if those links do not prevent the exercise of its supervisory functions in compliance with the provisions of this law.

(4) C.N.V.M. shall grant authorisation to a S.S.I.F. within maximum 6 months from the date when the complete documentation required by the regulations in force has been submitted, or shall issue, provided that the application has been rejected, a motivated decision which may be contested within 30 days from the date of its communication.

(5) S.S.I.F. may start its activity on the date authorisation has been granted provided that it has also become a member of the Investor Compensation Fund.

Art. 9

A S.S.I.F. must comply with the conditions for authorisation, with prudential and capital adequacy requirements as laid out by this law and by C.N.V.M. regulations, during the

time it carries out its activities, and shall notify or first submit for authorisation, as the case may be, any change in its organisation and functioning in compliance with the provisions of C.N.V.M. regulations.

Art. 10

C.N.V.M. has the right not to grant an authorisation to a firm for the provision of investment services if:

a) insolvency proceedings are in place, in compliance with the law;

b) any of its significant shareholders, members of the Board or managers:

1. are incompatible according to C.N.V.M. regulations or hold a significant position in a company referred to in the provisions laid out in subparagraph a);

2. have been charged with mismanagement, breach of trust, forgery, use of forgery, fraud, embezzlement, false swearing, giving or receiving bribe, as well as with other economic crimes;

3. have been sanctioned by C.N.V.M., the National Bank of Romania, the Insurance Supervision Commission or by any other financial market regulator, by being prohibited from exercising any professional activity, for the period during which this prohibition is in force.

c) C.N.V.M. acknowledges that the legal provisions, the regulations issued for their enforcement as well as the administrative regulations of the non-Member State, which govern the status of the persons with close links with S.S.I.F., or that difficulties in their implementation prevent the effective exercising of prudential supervision functions or that the supervision by the non-Member State of a foreign intermediary which has applied for authorisation for a subsidiary, are insufficient;

d) C.N.V.M. has not been informed of the identity of shareholders, natural or legal persons, which directly or indirectly hold significant positions within S.S.I.F. or of the amounts of these holdings;

e) C.N.V.M. acknowledges that the shareholders, natural or legal persons, which directly or indirectly hold significant positions within the S.S.I.F., do not comply with the requirements of ensuring sound and prudent management of the S.S.I.F. as well as effective prudential supervision in compliance with this law;

f) the requesting company does not have the initial capital set out in C.N.V.M. regulations;

g) although the requirements laid down in art. 8, paragraph (1) are met, there is evidence that sound and prudent S.S.I.F management cannot be ensured.

Art.11

C.N.V.M. has the right to suspend the authorisation of a S.S.I.F. for a period from 5 to 90 days, provided that the provisions of this law or C.N.V.M. regulations are not complied with, only if the conditions for the withdrawal of the authorisation or for other more serious sanctions set out in the law are not met. The suspension of the authorisation may be extended when the initial term expires, but for no longer than 30 days over the maximum referred to in this article.

Art. 12
(1) C.N.V.M. has the right to withdraw the authorisation issued to a S.S.I.F. only when:

a) that S.S.I.F. does not make use of the authorisation within 12 months or has not provided any of the services authorised by C.N.V.M., as laid down in art. 5 paragraph (1) indent 1, for a time period longer than 6 months, with the exception of the situation when C.N.V.M. has suspended the authorisation for this period of time;
b) S.S.I.F. does no longer comply with the conditions according to which the authorisation has been issued;
c) S.S.I.F. does not comply with the capital adequacy regulations set out by C.N.V.M.;
d) S.S.I.F. or its investment services agents do not comply with C.N.V.M. regulations and/or of the regulated markets;
e) if events subsequent to the granting of the authorisation result in an incompatibility as regards the provision of investment services;
f) other situations set out in C.N.V.M. regulations.

(2) At the express request of a S.S.I.F. on the basis of a renunciation statement, C.N.V.M. withdraws its authorisation for performing the investment services, in accordance with the regulations issued for this purpose;

(3) C.N.V.M. cancel the authorisation of a S.S.I.F. if the authorisation has been granted based on false or misleading statements or information;

Art. 13
(1) C.N.V.M. shall require information or shall consult the competent authorities of a Member State before authorising a S.S.I.F., when this is:

a) a subsidiary of an intermediary authorised in that Member State;
b) a subsidiary of the parent undertaking of an intermediary authorised in that Member State;
c) controlled by the same natural or legal persons that control an intermediary authorised in that Member State.

(2) The competent authorities of Member States, in charge of supervising credit institutions or insurance companies, shall be consulted before hand when granting authorisation to a S.S.I.F. when this is:

a) a subsidiary of a credit institution or insurance company authorised in another Member State;
b) a subsidiary of the parent undertaking of a credit institution or insurance company authorised in another Member State;
c) controlled by the same natural or legal persons that control a credit institution or insurance company authorised in another Member State.

Section 3

Managers, directors, internal control and significant shareholders

Art. 14
(1) The management function of the S.S.I.F. must be provided by at least two persons. The managers must be S.S.I.F. employees by means of individual employment contracts and can be members of the Board.

(2) Managers are the persons, who, according to the instruments of incorporation and/or the decisions of the statutory structures within the S.S.I.F., are empowered to manage and co-ordinate its day-to-day activity and are competent to undertake intermediation liabilities; the persons who provide for the effective management of S.S.I.F. departments, branches or other secondary offices are not included in this category. In the case of branches of intermediaries that are foreign legal persons, which provide investment services on the territory of Romania, managers are persons empowered by the foreign legal person intermediary to manage the activity of the subsidiary and to legally commit the foreign legal person intermediary in Romania.

(3) Managers must effectively ensure the current management of S.S.I.F. activities, exclusively carry out the function for which they have been appointed, and at least one of them has to make proof of his knowledge of Romanian language. They must have academical studies graduated with a degree in either the economic or the legal field, or in other field related with financial activity and/or must have graduated post-graduate courses in one of the fields mentioned above and have at least 3 years' experience in the banking – finance or capital market field

Art. 15
The management of a S.S.I.F. can be provided only by natural persons.

Art. 16
S.S.I.F. shall organise an internal control department specialised in the supervision of compliance by the firm or by its employees with the legislation in force concerning the capital market, as well as with its internal regulations.

Art. 17
The requirements for the authorisation of the staff, and the organisation and functioning of the internal control department shall be laid down in C.N.V.M regulations.

Art. 18
(1) Any person who proposes to acquire directly or indirectly the shares of a S.S.I.F., by

which it could become a significant shareholder, must notify C.N.V.M. in advance, mentioning the size of the intended holding.

(2) Any significant shareholder who proposes to increase its holding, so that the proportion of the voting rights or of the share capital that he holds would reach or exceed 20%, 33% or 50% or so that the S.S.I.F. would become its subsidiary, should notify C.N.V.M. in advance.

(3) C.N.V.M. shall announce within 90 days from the notification date, and, if deemed appropriate, may prohibit by its decision the holding of such a position. In case of approval, the decision of C.N.V.M. shall set out the maximum term until the notified holding is reached.

(4) Any person who proposes to dispose, directly or indirectly, its significant position within a S.S.I.F., shall notify C.N.V.M. in advance, mentioning the size of the envisaged holding.

(5) Any significant shareholder that proposes to reduce, directly or indirectly, its holding so that the proportion of the voting rights or of the share capital held by him would fall below 20%, 33% or 50% or so that the S.S.I.F. would cease to be his subsidiary, should notify C.N.V.M. first.

(6) If the person referred to in paragraph (1) and (2) is a S.S.I.F., a credit institution, or an insurance company authorised in another state, or the parent undertaking of a S.S.I.F., a credit institution or an insurance company authorised in another state, or a person controlling a S.S.I.F., a credit institution or an insurance company authorised in another state, and if, as a result of that acquisition, the S.S.I.F where the person proposes to acquire shares shall become its subsidiary or shall be controlled by it, the share purchase shall be subject to beforehand consultation, as provided for by art. 13.

(7) S.S.I.F. shall inform C.N.V.M. as soon as it finds out of any acquisitions or disposals of holdings in its capital that cause holdings to exceed or, respectively, fall below any of the thresholds referred to in paragraphs (1), (2), (4) and (5).

(8) Periodically, at least annually, S.S.I.F. shall inform C.N.V.M. of the identity of its significant shareholders and of the size of their holdings, and, if needed, any other data and information regarding these persons, as required by C.N.V.M. regulations.

Art. 19

(1) C.N.V.M. may prohibit one person from reaching a holding position, such as that provided by art. 18 paragraph (1) and (2), if, taking into account the requirement to ensure the sound and prudent management of the S.S.I.F., it appreciates that the person who may hold such a position, could prevent the well functioning of the firm or its effective supervision.

(2) In order to verify the integrity of a S.S.I.F. shareholder or of a person who intends to purchase, directly or indirectly, the shares of a S.S.I.F, C.N.V.M. may require the submission of identification data for any shareholder, natural and/or legal person, which holds directly or indirectly a significant position.

Art. 20
(1) Where the influence exercised by significant shareholders, members of the Board, managers or employees within the internal audit department is likely to be prejudicial to the sound and prudent management of a S.S.I.F., C.N.V.M. shall take appropriate measures to put an end to that situation, measures that may consist, for example, in injunctions, sanctions against the directors and/or the management, as well as against persons within the internal audit department.

(2) Similar measures shall apply to persons failing to comply with the obligations imposed in art. 18, paragraph (1) and (2).

(3) If a significant holding is acquired or increased despite the opposition of C.N.V.M., the underlying voting rights are considered null and possible votes cast shall be annulled accordingly.

Art. 21
If the influence exercised by the persons referred to in art. 18 paragraph (1) and (2), and art.20 shall be prejudicial to the management of a S.S.I.F., C.N.V.M. shall take measures in order to suspend voting rights underlying the shares held by the said shareholders.

Chapter IV

Prudential rules

Art. 22
In order to protect investors, ensure stability, competitiveness and the well functioning of the markets, C.N.V.M. shall issue regulations regarding prudential and capital adequacy requirements to assess risks correctly in order to prevent and mitigate their effects.

Art. 23
(1) The intermediaries authorised by C.N.V.M. shall submit their financial statements as well as their periodic reports.

(2) C.N.V.M shall issue regulations regarding the content, the type and the deadlines for the submission of the reports referred to in paragraph (1).

(3) C.N.V.M. may verify the truthfulness of the data recorded in the financial statements and in the periodic reports through inspections.

(4) Intermediaries shall compulsory keep for at least 5 years the relevant data and information related to the services referred to in art. 5, which they have carried out in instruments dealt, whether such transactions were carried out on a regulated market or not.

Art. 24

(1) Intermediaries shall observe at all times during carrying out of their activities the prudential rules drawn up by C.N.V.M. These prudential rules shall refer, without being limited to:

a) sound administrative and accounting procedures, control and safeguard arrangements for electronic data processing and adequate internal control mechanisms, including rules for personal transactions by their employees;
b) adequate arrangements for ensuring the separation between the financial instruments of the intermediary and those belonging to investors with a view to safeguarding the latter's ownership rights, especially in the event of the intermediary's insolvency, and to preventing the intermediary's using investors' financial instruments in transactions for its own account, except with the investors' express consent;
c) adequate arrangements for ensuring the separation of the funds belonging to investors with a view to safeguarding the latter's ownership rights and, except in the case of credit institutions, preventing the intermediary's using investors' funds for its own account;
d) arrange for records to be kept of transactions executed to enable C.N.V.M. to monitor compliance with prudential rules, rules of conduct in business, as well as with other legal and regulatory requirements;
e) the existence of an organisational structure which shall minimise the risk of a conflict of interests between the investor and the intermediary or between the investors of the same intermediary. If a branch is set up, the organisational arrangements may not conflict with the rules of conduct laid down by the host Member State to cover conflicts of interest.

(2) The creditors of an intermediary may not, under any circumstances, touch investors' assets, not even in the case of insolvency proceedings. An intermediary may not use a client's assets in order to secure the transactions concluded for its own account or for the account of another client, except for the case when the client expresses his consent in writing.

Art. 25

Before providing any investment service, intermediaries shall inform the investors of any investor compensation funds or schemes**.**

Chapter V

Rules of conduct

Art. 26
(1) Intermediaries and investment services agents shall observe the rules of conduct issued by C.N.V.M. as well as the rules issued by the regulated markets where they carry out transactions.

(2) The implementation and the supervision of compliance, by all the intermediaries that provide investment services on the territory of Romania, with rules of conduct shall be carried out by C.N.V.M.

Art. 27
(1) C.N.V.M. regulations shall implement principles that shall take into account the professional nature of the person for whom the service is provided. These principles shall at least ensure that the intermediary:

a) acts honestly and fairly and with due skill and diligence in conducting its business activities in the best interests of its clients and the integrity of the market;
b) commits all the resources, draws up and efficiently uses the internal procedures required to provide investment services;
c) seeks from the investors information regarding their financial situation, investment experience and objectives as regards the services requested;
d) discloses to the investors relevant material information on the transactions where the intermediary is counterparty;
e) tries to avoid conflicts of interests, and, when they cannot be avoided, ensures that the investors are fairly treated;
f) complies with all C.N.V.M. requirements applicable to the conduct of its business so as to protect the best interests of the investors and the integrity of the market.

(2) Where an intermediary executes an order, for the purposes of applying the rules referred to in paragraph (1), the professional nature of the investor shall be assessed with respect to the person from whom the order originates, regardless of whether the order was placed directly by the investor himself or indirectly through another intermediary.

Art. 28
(1) The provision of investment services for the account of the investor shall be carried out based on a contract drawn up in two copies, of which one shall be sent to the client.

(2) C.N.V.M. regulations shall stipulate the content and the minimum clauses of the contracts concluded with investors, including distant contracts.

(3) *Distant contract* shall mean any contract underlying investment services concluded between an intermediary, as offeror, and an investor, as beneficiary of investment services, within a distant system of sales or provision of investment services, organised

by the offeror, which uses one or more distant means of communication, starting from the moment when the contract is concluded and until its expiry, in order to carry out the contract.

(4) The regulations referred to in paragraph (2) shall include the ways in which distant investment services may be provided based on a distant contract, by clearly mentioning the distant means of communication, including electronic ones, as well as the period of time for which the contract has been concluded.

(5) Moreover, the regulations provided at paragraph (2) shall include provisions referring to the obligation of the intermediary to inform the investor, as well as to the latter's consent to conclude such a contract that shall allow the intermediary to provide distant investment services.

(6) *Distant means of communication* refer to any means that, without requiring the simultaneous physical presence of either the offeror or the beneficiary of investment services, may be used in order to carry out the will of the parties and the object of the contract.

(7) The investor shall benefit of a 14 days period, from the conclusion of the contract, to unilaterally cancel the distant contract without any penalising charges imposed and without any motivation for its withdrawal. If the investor cancels the contract unilaterally, it may be forced to pay for the services provided, in compliance with contractual clauses. The carrying out of the contract shall proceed only after the investor has agreed on the matter.

(8) The right to cancel such a contract unilaterally shall not be applied to investment services whose price depends on the financial market fluctuations that may occur during the time of withdrawal from the contract and is independent from the providers of investment services, being linked to:

a) foreign exchange operations;
b) money market instruments, including government securities with maturity less than one year and deposit certificates;
c) securities;
d) participation titles of collective investment undertakings;
e) futures contracts, including equivalent cash-settled instruments;
f) forward rate agreements;
g) interest rate, foreign exchange and equity swaps;
h) options to acquire or dispose of any instruments falling within the scope of subparagraph b) – e), including equivalent cash-settled instruments; this category also includes foreign exchange and interest rate options.

(9) The regulations set out in paragraph (2), (4) and (5) may provide for the procedure of preliminary complaint and for procedures of litigation advice regarding investment services in order to establish and develop an efficient and appropriate system.

Chapter VI

Traders

Art. 29
Traders are legal persons that exclusively deal for their own account in derivative instruments, such as future contracts and options.

Art. 30
(1) Traders shall be authorised according to the conditions laid down in C.N.V.M. regulations and shall be registered with the C.N.V.M. Register.

(2) Capital requirements for traders shall be established by C.N.V.M. regulations.

Art. 31
Traders may function only with the agreement of the market operator and in compliance with the regulations of the regulated market.

Art. 32
(1) The clearing and settlement of transactions carried out by traders shall be performed only through intermediaries that function within the same regulated market as clearing members.

(2) The responsibility regarding the obligations resulted from the carrying out of transactions performed by traders is also incurred by the clearing members with which they have concluded clearing contracts.

Art. 33
Traders are not allowed to:

a) own funds or financial instruments for the account of other persons;
b) negotiate and conclude transactions on behalf or for the account of another person;
c) conclude with other persons contracts or gentlemen's agreements in order to jointly act on regulated markets;
d) work with another intermediary or with a market operator.

Art. 34
The provisions of art. 4 paragraph (3), art. 23, art. 24 paragraph (1) subparagraph d) and art. 26 shall also be applied to traders, in compliance with the provisions issued by C.N.V.M.

Chapter VII

Investment consultants and rating agencies

Art. 35
(1) The professional provision of investment consulting services, underlying financial instruments, is performed by investment consultants, natural or legal persons, registered with the C.N.V.M. Register.

(2) Investment consulting refers to the personal recommendation provided to a client in relation with one or more transactions involving financial instruments.

(3) C.N.V.M. shall issue regulations as regards:

a) requirements for the granting of authorisation to provide consulting services regarding financial instruments by natural and legal persons other than intermediaries, including the capital requirements for the carrying out of this activity.

b) procedures referring to the requirements provided for the functioning, supervision, reporting and verification of investment consultants;

c) suspension and withdrawal of the investment consultant's authorisation.

(4) The provision of investment consulting services excludes the taking over and the execution of investor orders as regards the purchase or sale of financial instruments, investors' portfolio management, as well as the settlement of transactions, including the holding of funds or financial instruments for the account of the investor**.**

(5) Investment consultants are subject to the rules of conduct adopted by C.N.V.M. according to the provisions of art. 27.

Art. 36
(1) C.N.V.M shall issue regulations regarding selection criteria for rating agencies which shall assess and rank the issuers agreed for trading and the financial instruments traded on regulated markets.

(2) Rating agencies shall inform C.N.V.M. as regards any rating provided in relation with the entities and the instruments referred to in paragraph (1).

Chapter VIII
Cross-border operations

Section 1
Branches of investment firms, Romanian legal persons and the freedom to provide services

Art. 37
A S.S.I.F. may provide investment services:

a) in a Member State, in compliance with the provisions of art. 38.

b) in a non-Member State, based on the authorisation granted by C.N.V.M. according to the regulations issued in this respect.

Art. 38
(1) The S.S.I.F., Romanian legal person, which wishes to establish a branch within the territory of a Member State, shall notify C.N.V.M., also providing the following information:

a) a business plan, which shall include the investment services to be provided via the branch and the latter's organisational structure;

b) the identity of the persons appointed to manage the branch;

c) the address of the branch premises;

d) investors compensation schemes enforced in order to protect the investors of the branch.

(2) Within three months from receiving the notification, C.N.V.M. shall communicate the information received to the competent authorities of the host Member State, or, as the case may be, decline to send the information and shall inform the S.S.I.F. accordingly, providing the reasons of its refusal.

(3) C.N.V.M. may issue a decision to reject the request for approval of the establishment of a branch on the territory of a Member State by a S.S.I.F., Romanian legal person, if, based on the information received and on the documents submitted by the S.S.I.F., it acknowledges that:

a) the S.S.I.F. does not have an adequate administrative capacity or financial situation for the investment services that shall be provided via its branch;

b) the S.S.I.F. records an inadequate development of its financial situation.

(4) If the content of any of the information referred to in paragraph (1) is changed, S.S.I.F. shall communicate this change, in writing, to C.N.V.M. and to the competent authorities of the host Member State at least one month before the actual implementation of the change

(5) C.N.V.M. shall communicate to the competent authority of the host Member State any modification of the information previously provided, in accordance with the provisions of paragraph (2).

Art. 39

(1) Any S.S.I.F. wishing to carry on business within the territory of a Member State for the first time, under the freedom to provide services, shall communicate the following information to C.N.V.M.:

a) the Member State in which it intends to operate;
b) a business plan mainly stating the investment service or services which it intends to provide.

(2) Within one month from receiving the information referred to in paragraph (1), C.N.V.M. shall send this information to the competent authorities of the host Member State. After this term expires S.S.I.F. may start to provide the investment services in question on the territory of the host Member State.

(3) If the content of the information sent according to the provision set out in paragraph (1) subparagraph b), has been changed, S.S.I.F. shall communicate this change in writing to C.N.V.M. and to the host Member State, before its implementation, in order to send, if necessary, any change or completion to the information communicated.

Art. 40.

(1) The prudential supervision of the investment services provided by S.S.I.F., within Member States and non-Member States, either directly, or through the setting up of branches, shall be carried out by C.N.V.M, without prejudice to the responsibilities of the competent authorities of the host Member State.

(2) In order to carry out its supervisory functions, C.N.V.M. shall co-operate with the competent authorities of the Member States where the S.S.I.F. directly provides investment services or establishes branches.

(3) If C.N.V.M. imposes penalties or restrictions on a S.S.I.F. activities, or orders that the authorisation of a S.S.I.F. shall be withdrawn, it shall, immediately, notify the competent authority of the Member State where the firm provides investment services.

(4) The special provisions of the banking legislation referring to cross-border operations shall be enforced upon credit institutions authorised in Romania, which intend to provide core and non-core investment services abroad, together with the provisions referring to the provision of such investment services in Romania, by credit institutions from Member States and non-Member States.

Section2

Intermediaries from Member States

Art. 41

(1) The intermediaries authorised and supervised by the competent authority of a Member State may provide, on the territory of Romania, according to the authorisation granted by the competent authority of the home Member State, investment services according to the provisions of art. 5 paragraph (1), either directly or via a branch, under the freedom to provide services, without any authorisation from C.N.V.M.

(2) The intermediaries referred to in paragraph (1) shall have their head office in the Member State which issued their authorisation and in which they actually carry on their business.

(3) The intermediaries referred to in paragraph (1) may promote their services through all available means of communication in Romania, subject to the rules governing the form and the content of such advertising, established by C.N.V.M.

(4) Within two months from receiving the notification from the competent authorities in the home Member State, regarding the provision of investment services via a branch, including all the information referred to in art. 38 paragraph (1), C.N.V.M. shall indicate, if necessary, to the said intermediary, the conditions, including the rules of conduct, under which, in the interest of the general good, that branch in Romania must carry out its activity.

(5) The branch may commence its activity on receipt of a communication from C.N.V.M. or on the expiry of the period referred to in paragraph (4).

(6) Any intention to change the information included in the communication received by C.N.V.M., in accordance with the provisions laid down in paragraph (4), must be notified by the intermediary in question, at least one month before the date when the said change is implemented.

(7) C.N.V.M. shall issue regulations for the enforcement of this section, in compliance with the Community legislation in force.

Art. 42

(1) The intermediaries authorised in Member States may have access to a regulated market in Romania in order to provide services such as those referred to in art. 5 paragraph (1) subparagraph b) and subparagraph c), as well as to the clearing and settlement systems underlying these markets either:

a) directly, based on the freedom to provide services, or through the setting up of branches;

b) indirectly, by setting up subsidiaries or by acquiring a S.S.I.F. which is already a member or has access to a regulated market or to a clearing and settlement system.

(2) Access to a regulated market or to a clearing and settlement system of the intermediaries referred to in paragraph (1) shall be conditioned by compliance with the regulations issued by the market operator or by the clearing and settlement systems, approved by C.N.V.M, and with the rules of conduct and professional standards imposed on the persons which carry out activities on behalf of these intermediaries.

Section 3
Intermediaries from non Member States

Art. 43
The setting up of branches on the territory of Romania by intermediaries from non Member States shall be submitted for authorisation by C.N.V.M. The requirements for authorisation are the following:

a) compliance by the branch with the requirements referred to in art. 8;
b) the authorisation of the firm and the legal provisions of the home country regarding the investment services that the investment company wishes to carry out on the territory of Romania via its branch;
c) the existence in the home country of legal provisions regarding authorisation and supervision, as well as of similar organisational structures with those in Romania;
d) the existence of a co-operation agreement between C.N.V.M. and the competent authority of the home country;
e) compliance with the reciprocity requirements in the home country in compliance with the limits allowed by the international agreement.

Chapter IX
Investor compensation fund

Art. 44
(1) The investor compensation fund, hereinafter referred to as *the Fund* is a legal person established as a joint-stock company according to its instruments of incorporation, preliminary approved by C.N.V.M.

(2) The Fund's shareholders are the intermediaries and the management companies which have as their regular business the management of individual investment portfolios. Market operators, the central depository and other entities regulated and supervised by C.N.V.M. may become shareholders of the Fund.

(3) C.N.V.M. shall establish, by regulations, the principles regarding the Fund's organisation and functioning, the compensation procedure, including terms, and transparency requirements.

Art. 45
(1) The intermediaries authorised to provide investment services and management companies, which manage individual investment portfolios, must be members of the Fund.

(2) The entities referred to in paragraph. (1) must establish and submit for authorisation by C.N.V.M., *S.C Fondul de compensare al investitorilor S.A ("The Investor Compensation Fund"*), within 180 days from the date when this law enters into force.

Art. 46
(1) The purpose of the Fund is to compensate investors, in compliance with the conditions set out in this law and with C.N.V.M. regulations, if Fund members fail to return the funds and/or the financial instruments owed by or belonging to investors, which have been held on their behalf for providing investment services or managing individual investment portfolios.

(2) For the purposes of this chapter, "investor" refers to any person which has entrusted a Fund member with funds or financial instruments in order to provide investment services.

(3) The value of an investor's claims shall be calculated according to the legal and contractual provisions, taking into account the compensation and the compensation of mutual claims that are applicable at the date of finding or decision stipulated in Art. 47, paragraph (1), for the calculation of the amount of money, or of the value, determined, if possible, at the market value of the investors' financial instruments, that the Fund member cannot pay or return, according to the conditions set out in art. 47 paragraph (1) and (2).

(4) The Fund compensates the investors equally and fairly up to a limit established by the President of C.N.V.M., on an annual basis.

(5) The following categories of investors are excluded from compensation:

a) qualified investors;

b) administrators, including managers, directors, censors, financial auditors, of the Fund members, their shareholders with holdings that exceed 5% of the share capital, as well as investors with a similar position within other companies of the same group with the Fund members;

c) spouses and first rank relatives and in-laws, as well as the persons who act on behalf of the shareholders referred to in subparagraph b);

d) the legal persons that are part of the same group with the Fund members;

e) investors, natural or legal persons, that are directly liable for deeds which aggravated the financial distress of the member or have contributed to the deterioration of its financial position.

(6) The Fund shall suspend any payment to the investors charged with a criminal activity resulted from or related to money laundering until the competent court issues a final and irrevocable decision.

Art. 47

(1) The Fund shall compensate the investors in any of the following situations:

a) C.N.V.M. has acknowledged that, for the time being, from its point of view, an intermediary or a management company that manages individual investment portfolios, for reasons directly linked to their financial situation, is not able to meet its obligations resulted from investors' claims and furthermore, there is no possibility for it to meet these obligations in the shortest time possible;

b) the competent legal authority, for reasons directly or indirectly linked to the financial situation of a Fund member, has issued a final decision that has as a result the suspension of investors from the possibility of exercising their rights as regards the resolution of their claims against the said company.

(2) The compensation shall be granted for the rights resulted from the failure of a Fund member to:

a) repay the investors' funds held on their behalf in connection with their investment activities;

b) return to the investors any financial instrument that belongs to them and is held and managed on their behalf in connection with their investment activities.

(3) If the intermediary is a credit institution, any situation similar to that referred to in paragraph (1) shall be signalled to C.N.V.M. by the National Bank of Romania.

(4) If the compensation is granted by the Deposit Guarantee Fund, within the banking system, no investor has the right to receive double compensation.

Art. 48

(1) In the situations set out in art. 47, the Fund shall publish on its web-site, at the premises of all local units of the member unable to return funds and/or financial instruments belonging to investors as well as in at least two national daily newspapers, information concerning: the failure of the member to meet its obligations to the investors, the place, the way and the period of time when compensation applications can be filed as well as the date when the payment of compensations to the investors is first made.

(2) The Fund shall subrogate de jure to the investors' rights for an amount equal to the payments made for the compensation of the funds and/or financial instruments. The Fund shall be recorded in the creditors' committee with the said amount in the event of its member's winding up.

Art. 49
(1) The Fund shall benefit of the following financial resources:
a) the initial members' contribution paid according to C.N.V.M. regulations;
b) the annual and/or special contribution paid by its members;
c) incomes from the investment of the Fund's resources;
d) incomes from the recovery of claims compensated by the Fund;
e) short-term loans that should exclusively cover temporary needs due to the granting of compensations;
f) other incomes established by C.N.V.M. regulations.

(2) The expenses incurred for the management and the functioning of the Fund shall be covered by incomes from the investment of the Fund's resources as well as from other incomes established by C.N.V.M. regulations.

(3) The financial resources of the Fund shall be invested only in government securities or in other fixed-income instruments, fully secured by the state up to December 31, 2004, after which, these investments shall be diversified with investments in low-risk assets, according to the regulations issued by C.N.V.M.

(4) The Fund does not pay dividends and cannot grant loans.

Art. 50
C.N.V.M. shall establish annually, by order of its President, the limits to the amounts referred to in art. 46 paragraph (3).

Art. 51
The contributions paid by Fund members are never refunded, not even in the case of the winding up or dissolution of the Fund members.

Art. 52
The Fund shall submit to C.N.V.M. an annual activity report no later than 30 April.

TITLE III
UNDERTAKINGS FOR COLLECTIVE INVESTMENT SCHEMES

Chapter I
Management companies

Section 1
General provisions

Art. 53
(1) The management company, hereinafter referred to as *S.A.I.,* is a legal person, established as a joint-stock company, according to the Law no.31/1990 regarding commercial companies, as further amended, and functions only based on authorisation by C.N.V.M.

(2) S.A.I. shall be registered with the C.N.V.M. Register, on the date of its authorisation.

(3) In all official documents, S.A.I. must provide, besides its identification data, the number and the date of its registration with the C.N.V.M. Register.

Section 2
Services provided by management companies

Art. 54
(1) S.A.I. shall have as their regular business the management of undertakings for collective investment in transferable securities, hereinafter referred to as *O.P.C.V.M.*, authorised in accordance with the provisions of this law.

(2) S.A.I. may manage, provided that it has been authorised by C.N.V.M., other collective investment undertakings, hereinafter referred to as *A.O.P.C.,* subject to prudential supervision.

(3) By way of derogation from paragraph (1) and paragraph (2), S.A.I. may also carry out the following activities:

a) the management of individual portfolios of investments, including those owned by pension funds, in accordance with mandates given by investors on a discretionary basis, where these portfolios include one or more of the financial instruments referred to in art. 2, paragraph (1), indent 11 ;

b) non-core services: investment advice concerning one or more of the financial instruments referred to in art. 2, paragraph (1), indent 11 .

(4) S.A.I. may be authorised to carry out the activities referred to in paragraph (3), only if is previously authorised to carry out the activities referred to in paragraph (1) or (2) and can be authorised to carry out the services referred to in paragraph (3) subparagraph b) only if it carries out the activities referred to in paragraph (3) subparagraph a).

Art. 55

(1) The activity of managing a collective portfolio refers at least to:
a) investment management;
b) undertaking the activities regarding activities as follows:
1. legal and portfolio management accounting services;
2. customer inquiries;
3. portfolio valuation and pricing, tax returns;
4. regulatory compliance monitoring;
5. maintenance of unit-holder register;
6. distribution of income;
7. unit issues and redemption;

8. record keeping.
c) marketing and distribution;

(2) Under the condition of previous approval by C.N.V.M., S.A.I. may delegate to third parties the carrying out of the activities referred to in paragraph (1), in accordance with the regulations issued by C.N.V.M.

(3) The delegation referred to in paragraph (2) may be assigned to S.A.I. located in Romania or in other states, only if prudential investment management is performed and only if there are co-operation agreements in the field of information exchange, concluded between C.N.V.M. and the competent supervisory authorities in those states.

(4) In no case shall S.A.I.'s liability be affected by the fact that it has delegated any functions to third parties.

(5) The provisions of art. 28 shall also be applied to S.A.I.

(6) The activities delegated to the third parties under the provisions of this article are performed respecting the same regime applicable to the S.A.I.

Art. 56
(1) The management of individual investment portfolios, referred to in art. 54 paragraph (3) subparagraph a), must be carried out in compliance with the prudential rules, the rules of conduct in business and the capital adequacy requirements set out in art. 22, 24, 27 and 57.

(2) The S.A.I. which carries out the activities referred to in art. 54 paragraph (3) may invest all or part of the investor's funds in units of the O.P.C. it manages, only with the prior general approval of the investor.

Section 3
Initial capital

Art. 57
(1) The initial capital of a S.A.I. shall be determined in accordance with C.N.V.M. regulations and is at least the ROL equivalent of 125,000 euro, calculated at the reference rate announced by the National Bank of Romania.

(2) By 31 December 2004, S.A.I.s must increase and maintain their initial capital to at least the ROL equivalent of 50,000 euro, calculated at the reference rate announced by the National Bank of Romania.

(3) By 31 December 2005, S.A.I.s must increase and maintain their initial capital to at least the ROL equivalent of 90,000 euro, calculated at the reference rate announced by the National Bank of Romania.

(4) By 31 December 2006, S.A.I.s must increase and maintain their initial capital to at least the ROL equivalent of 125,000 euro, calculated at the reference rate announced by the National Bank of Romania.

(5) The initial capital shall be considered part of own funds, including the called-up and paid-up share capital, as well as other balance sheet items, calculated in accordance with the methodology set out by C.N.V.M. regulations, in compliance with the Community legislation in force.

(6) When the value of the S.A.I. portfolios exceeds 250,000,000 euro, the S.A.I. shall be required to supplement its own funds with an additional amount that shall be equal to 0,02 % of the amount by which the value of the portfolios managed by S.A.I. exceeds 250,000,000 euro so as the required total of the initial capital and the additional amount shall not exceed 10,000,000 euro. The C.N.V.M. will issue regulations for the enforcement of this paragraph in compliance with the Community legislation in force.

(7) The C.N.V.M. will modify the level of the S.A.I. initial capital through the President's order to observe the requirements provided in the Community legislation.

(8) The reference rate, referred to in this article, shall be the one corresponding to the date for which the reporting is made.

Section 4

Authorisation, suspension and withdrawal of authorisation

Art. 58

(1) S.A.I. may be authorised by C.N.V.M. if it cumulatively meets the following conditions:

a) the firm is established as a joint-stock company and includes in its name the phrase *societate de administrare a investiţiilor* (i.e. „management company") or the abbreviation „S.A.I.";

b) the registered office and the head office, as the case may be, which are the main locations, where the activity of S.A.I is carried out, are located in Romania;

c) the qualification, expertise and professional integrity of Board members, executive management, internal auditors which are not members of the Financial Auditors Chamber of Romania and employees within the internal control department comply with the requirements of C.N.V.M. regulations;

d) submit the shareholder structure and the evidence of the identity and integrity of significant shareholders;

e) make evidence of the minimum initial capital, called-up and fully paid-up in cash in accordance with C.N.V.M. regulations;

f) submit the business plan, description of the organisational structure and of the internal regulations of the firm;

g) submit the contract concluded with a financial auditor which is a member o the Financial Auditors Chamber of Romania and meets the common requirements established both by CNVM and the Financial Auditors Chamber of Romania;

(2) Where close links exist between S.A.I. and another natural or legal person, C.N.V.M. has the right to grant authorisation to provide investment services to the said S.S.I.F., only if those links do not prevent the exercise of its supervisory functions.

(3) C.N.V.M. shall not grant authorisation if the laws, regulations or administrative provisions of a non-Member State, governing one or more natural or legal persons with which S.A.I. has close links, prevent the exercise of its supervisory functions.

(4) Authorisation may be refused when, although the conditions referred to in paragraph (1) are met, prudential supervision cannot be performed.

(5) C.N.V.M. shall grant authorisation to function within maximum 6 months from the date when the complete documentation required by the regulations in force has been submitted, or shall issue, provided that the application has been rejected, a motivated decision which may be contested within 30 days from the date of its communication.

(6) S.A.I. may start its activity on the date when it has been granted authorisation, with the exception of the activity referred to in art. 54 paragraph (3) subparagraph a), which is conditioned by the S.A.I. becoming a member of the Investor Compensation Fund.

(7) S.A.I. has the obligation to comply with authorisation conditions, prudential and capital adequacy requirements as laid down by this law and by C.N.V.M. regulations during the time it carries out its activities and shall notify or first submit for authorisation, as the case may be, any change in its organisation and functioning, in accordance with the provisions of C.N.V.M. regulations.

(8) The provisions of art. 13 shall also be applied to S.A.I.

Art. 59

C.N.V.M. has the right to withdraw the authorisation issued to a S.A.I. in the following situations:

a) the firm does not make use of the authorisation within 12 months or has not provided any of the services authorised by C.N.V.M., for a time period longer than 6 months;

b) specifically applies for the withdrawal of its authorisation;

c) does not comply with the capital adequacy regulations set out by C.N.V.M;

d) it no longer complies with the conditions based on which the authorisation has been issued;

e) authorisation has been granted based on false or misleading statements or information;

f) it has severely and/or systematically breached the provisions of this law and/or the regulations issued to enforce it;

g) other situations set out in C.N.V.M. regulations.

Section5
Management, significant shareholders and internal control

Art. 60
(1) The effective management of a S.A.I.'s activity must be performed by at least two natural persons. The name of these two persons as well as of those who substitute them shall be communicated to C.N.V.M.

(2) The persons referred to in paragraph (1) must comply with the good reputation and expertise requirements according to the type of O.P.C. managed by the S.A.I..

Art. 61
The provisions of art. 18- 20 shall also be applied to S.A.I.

Art. 62
S.A.I. must organise an internal control department specialised in the control of compliance by the firm and by its staff with the legislation in force regarding the capital market as well as with internal regulations.

Art. 63
The requirements regarding staff authorisation and the organisation and functioning of the internal control department shall be established by C.N.V.M. regulations.

Chapter II
Prudential rules

Art. 64
S.A.I. shall observe at all times the prudential rules drawn up by C.N.V.M. These prudential rules shall refer, without being limited to:

a) sound administrative and accounting procedures, control and safeguard arrangements for electronic data processing and adequate internal control mechanisms, including rules for personal transactions of its employees and of S.A.I.;

b) adequate arrangements to ensure the separation of different types of financial instruments belonging to investors with a view to safeguarding the latter's ownership rights, and preventing the S.A.I.'s using investors' instruments for its own account;

c) adequate procedures to ensure that the operations performed by S.A.I. can be re-enacted, including the parties to the operations, the time and the place where the operations have been performed;

d) arrange for records to be kept of transactions executed, to enable C.N.V.M. to monitor compliance with prudential rules, rules of conduct in business, as well as with other legal and regulatory requirements;

e) the existence of an organisational structure which shall minimise the risk of a conflict of interests between the investors and S.A.I. or between the investors, or between the investors and O.P.C.V.M. or between O.P.C.V.Ms. If a branch is established, its organisational structure must not breach the rules of conduct so that to prevent conflicts of interests with the rules set out by the host Member State.

Art. 65
(1) S.A.I.s operate according to the rules of the fund or to the instruments of incorporation of the investment company and shall not perform operations to the benefit of one of the individual accounts, of A.O.P.C. or O.P.C.V.M., to the disadvantage of the others.

(2) S.A.I. cannot perform transactions with the O.P.C.V.M. and A.O.P.C. is it manages.

Art. 66
(1) No single company shall act as both S.A.I. and depository.

(2) The S.A.I. and the depository must act independently and solely in the interest of the unit-holders.

Art. 67
S.A.I. must provide the depository with all the information regarding the operations of O.P.C.V.M. no later than 24:00 hrs. of the working day following that day when the operations have been performed.

Chapter III
Rules of conduct

Art. 68
(1) S.A.I.s shall observe the rules of conduct issued by C.N.V.M. during their entire functioning.

(2) A S.A.I. must at least:

a) act honestly and fairly and with due skill, care and diligence in the best interests of the investors in the O.P.C.V.M.s it manages and the integrity of the market;

b) have and employ effectively all the resources and internal procedures necessary for the proper performance of its business activities;

c) avoid conflicts of interests, and, when they cannot be avoided, ensure that the O.P.C.V.M.s it manages are correctly and fairly treated;

d) comply with all C.N.V.M. requirements applicable to the conduct of its business so as to promote the best interests of the investors and the integrity of the market.

(3) The voting rights underlying the financial instruments held by O.P.C.V.M.s shall be exercised by S.A.I. in the best interest of the unit holders.

Chapter IV
The Depository

Art. 69

Depository shall mean that credit institution in Romania, authorised by the National Bank of Romania in accordance with banking legislation, or a Romanian branch of a credit institution authorized in a Member State, approved by C.N.V.M. to conduct depository activities, in accordance with the provisions of this law, and which is entrusted with all the assets of an O.P.C.V.M. for safekeeping

Art. 70

A depository must:

a) ensure that the sale, issue, re-purchase and cancellation of units effected on behalf of a S.A.I. or by another entity on behalf of an O.P.C.V.M., are carried out in accordance with this law, C.N.V.M. regulations and the fund rules and/or the instruments of incorporation of the investment company;

b) ensure that the value of units is calculated in accordance with the law and the fund rules and the instruments of incorporation of the investment company;

c) carry out the instructions of a S.A.I. or of the investment companies, which have not designated a management company, unless they conflict with the law or the fund rules /instruments of incorporation of the investment company;

d) ensure that in transactions involving the assets of an O.P.C.V.M. any consideration is remitted to it within the usual time limits;

e) ensure that an O.P.C.V.M.'s income is managed and calculated in accordance with the law and the fund rules/instruments of incorporation of the investment company.

Art. 71

In order to obtain approval by C.N.V.M., the credit institution shall submit to C.N.V.M. documents and evidence to prove that:

a) it holds sufficient financial resources, as required by C.N.V.M. regulations;
b) it has an adequate management structure;
c) it has the professional skills required to adequately carry out its depository activities.

Art. 72
(1) The depository is liable to S.A.I., investment company and to unit-holders for any loss suffered by them as a result of its unjustifiable failure to perform its obligations or its improper performance of them.

(2) The depository liability to the investors may be invoked by the unit-holders either directly or indirectly through the S.A.I., depending on the legal nature of the relationship between the depository, the management company and the unit-holders.

(3) A depository may entrust a third party, a sub-depository, with the safekeeping of some of the assets of an O.P.C.V.M., according to the regulations issued by C.N.V.M.

(4) The activities delegated to the third parties, as referred to in paragraph (3) are carried out on observing the same regime applicable to the depository.

(5) The liability of a depository referred to in paragraph (3) shall not be affected by the fact that it has entrusted to a third party all or some of the assets in its safekeeping.

Art. 73
(1) The publication and the use of other measures or calculations for the value of the total net assets, the individual value of the net assets and the number of unit holders, except for those certified by the depository is forbidden.

(2) The assets of deposited entities must be recorded in accounts different among themselves and different from those of the depository.

Art. 74
The conditions for the replacement of the depository and the rules to ensure protection to unit-holders shall be provided by the fund rules, or by the instruments of incorporation of an investment company, in accordance with C.N.V.M. regulations.

Art. 75
The depository shall immediately inform C.N.V.M., of any abuse by S.A.I. related to the deposited O.P.C.V.M. assets.

Chapter V

Undertakings for collective investment in transferable securities

Section 1

General provisions

Art. 76

(1) O.P.C.V.M.s are open-end investment funds and investment companies which cumulatively meet the following requirements:

a) their regular business is the performance of collective investment by investing cash resources in liquid financial instruments referred to in art. 101, paragraph (1) and operating based on the principle of risk diversification and prudential management;
b) the units are, at the request of the holders, re-purchased or redeemed out of those undertakings' assets. Action taken by an O.P.C.V.M. to ensure that the stock exchange value of its units does not significantly vary from their net asset value, shall be regarded as equivalent to such re-purchase or redemption.

(2) O.P.C.V.M.s are constituted either as unit trusts, under civil contract, or as investment companies under instruments of incorporation.

Art. 77

O.P.C.V.M.s are prohibited from turning into other collective investment undertakings.

Art. 78

Any collective investment undertaking may turn into an O.P.C.V.M., in compliance with the provisions of this law and the regulations issued by C.N.V.M.

Art. 79

No investment company, S.A.I. and the depository acting on behalf of an O.P.C.V.M. may carry out uncovered sales of transferable securities, or other financial instruments referred to in art.101, paragraph (1), subparagraphs d), f) and g) .

Art. 80

(1) No management company, S.A.I. or depository acting on behalf of an O.P.C.V.M. may borrow for its account.

(2) By way of derogation, C.N.V.M. may authorise an O.P.C.V.M. to borrow, up to maximum 10 % of its assets.

(3) An O.P.C.V.M. may also purchase foreign currency under the back-to-back borrowing system.

(4) Without prejudice to the application of art. 101 and art. 103, neither an investment company, nor a S.A.I. or a depository, acting on behalf of a O.P.C.V.M. may grant loans or may guarantee such loans on behalf of a third parties.

(5) Paragraph (4) shall not prevent such undertakings from acquiring transferable securities or other financial instruments referred to in art. 101 paragraph (1) subparagraph d), f) and g), that are not fully paid for.

Art. 81
(1) An O.P.C.V.M units may not be issued unless the equivalent of the net issue price is registered into the O.P.C.V.M account.

(2). The redemption price of an O.P.C.V.M units shall be calculated on the date of receiving the redemption application. The payment shall be made within a usual time limit, but no later than 10 working days from the date of submitting the redemption application.

Art. 82
The creditors of a S.A.I., of the depositories or sub-depositories may not enforce procedures against the assets of an O.P.C.V.M., not even in the case of insolvency proceedings.

Section 2
Authorisation of undertakings for collective investment in transferable securities

Art. 83
(1) An O.P.C.V.M. shall carry out its activity based on authorisation by C.N.V.M., in accordance with this law and the regulations issued to its enforcement.

(2) An O.P.C.V.M. shall be authorised only if C.N.V.M. has approved S.A.I., the fund rules, or, as the case may be, the instruments of incorporation of the investment company, the choice of depository and the issue prospectus.

(3) C.N.V.M. shall issue regulations on the content of the rules of a unit trust and of the instruments of incorporation of an investment company, which shall at least refer to:

a) the ways to issue, sell, re-purchase and cancel units;

b) the calculation of net asset value;

c) the identity of the S.A.I., the depository and the relationship between these parties and the investors;

d) the requirements to replace the S.A.I., the depository and the rules to ensure investor protection in such situations;

e) the remunerations and the expenditures which a management company is empowered to charge to an O.P.C.V.M. as well as the methods of calculation of them.

(4) C.N.V.M. may not authorise an O.P.C.V.M. if the directors of the depository are not of sufficiently good repute or are not sufficiently experienced also in relation to the type of O.P.C.V.M. to be managed. The identities of the directors of the depository and of every person succeeding to them in office must be communicated forthwith to C.N.V.M.

Art. 84
The conditions on which C.N.V.M. granted authorisation have to be maintained during the entire existence of an O.P.C.V.M.. Any change shall be first authorised by C.N.V.M.

Art. 85
(1) C.N.V.M. shall grant authorisation to an O.P.C.V.M., as well as authorisation to start and carry out the public offer of units, within maximum 30 days from the date when the complete documentation required according to the regulations in force has been received or shall issue, in case of rejection of the application, a motivated decision.

(2) The unit trusts and investment companies which have been authorised shall be registered with the C.N.V.M. Register.

(3) A S.A.I. must include the Register number referred to in paragraph. (2) in all its papers, documents and mails that the S.A.I. issues or initiates on behalf of the O.P.C.V.M. it manages.

Art. 86
(1) Both the simplified and the full prospectuses must include the information necessary for investors to be able to make an informed judgement of the investment proposed to them, and, in particular, of the risks attached thereto. The full prospectus shall include, independent of the instruments invested in, a clear and easily understandable explanation of the fund's risk profile.

(2) C.N.V.M. shall issue regulations on the minimum content and form of both the simplified and full prospectuses. The insertion into the prospectus of the information included in the fond rules or in the instruments of incorporation is not mandatory.

(3) The simplified prospectus may be attached to the full prospectus as a removable part of it.

(4). The simplified prospectus must be offered to subscribers free of charge before the conclusion of the contract. In addition, the full prospectus and the latest published annual and half-yearly reports, as referred to in art. 107, shall be supplied to subscribers free of charge on request.

(5) Any person who subscribes units shall make a statement to confirm that he has received, read and understood the prospectus.

(6) The essential elements of the issue prospectus and of the simplified prospectus of the O.P.C.V.M. must be kept up to date with all the changes, in accordance with the regulations issued by C.N.V.M.

Art.87
In order to ensure the correct information of the public, C.N.V.M. may require at any times that an O.P.C.V.M. shall change the information in the prospectus and in the simplified prospectus.

Section 3
Open-end investment funds

Art. 88
The rules of the open-end investment fund shall form an integral part of the full prospectus and must be annexed thereto.

Art. 89
(1) The fund units issued by open-end investment funds shall be of a single type, registered and dematerialised and shall confer to their holders equal rights. Fund units shall be fully paid at the time of their subscription.

(2) Participation to an open-end investment fund shall be certified by a certificate which confirms the holding of fund units.

Art. 90
Open-end investment funds shall not issue other financial instruments besides fund units.

Art. 91
(1) Fund units are purchased at their issuing price. The issuing price shall be established according to the net asset value, as certified by a depository and valid for the day when the purchase is made.

(2) Fund units may be redeemed, at a price established according to the net asset value, certified by a depository and valid for the day when the redemption application has been submitted.

(3) The net asset value and the fund unit value of an open-end investment fund shall be made public by the S.A.I. for each working day, based on the depository certificates, on a daily basis.

(4) C.N.V.M. shall issue regulations regarding the calculation of the total value of net assets and the individual value of net asset.

Section 4
Investment companies

Art. 92
(1) An investment company shall issue nominal shares fully paid on the date of their subscription.

(2) No investment company may engage in activities other than those referred to in art. 76 paragraph (1)

(3) Investment companies may only manage assets of their own portfolio and may not, under any circumstances, receive any mandate to manage assets on behalf of third parties.

Art. 93
An investment company is managed by a S.A.I. authorised in accordance with the provisions of this law or by a Board, in accordance with its instruments of incorporation.

Art. 94
(1) The initial capital of an investment company that has not designated a management company shall be calculated in accordance with C.N.V.M. regulations and shall be at least equal to the ROL equivalent of 300.000 euro, calculated at the reference rate announced by the National Bank of Romania.

(2) By 31 December 2004, investment companies that have not designated a management company must increase and maintain their initial capital to at least the ROL equivalent of 100.000 euro, calculated at the reference rate announced by the National Bank of Romania.

(3) By 31 December 2005, investment companies that have not designated a management company must increase and maintain their initial capital to at least the ROL equivalent of 200.000 euro, calculated at the reference rate announced by the National Bank of Romania.

(4) By 31 December 2006, investment companies that have not designated a management company must increase and maintain their initial capital to at least the ROL equivalent of 300.000 Euro, calculated at the reference rate announced by the National Bank of Romania.

(5) For the purpose of complying with the requirements set out in the Community legislation, C.N.V.M. shall periodically change, by order of its President, the level of the initial capital of an investment company that has not designated a management company.

(6) The reference rate, referred to in this article, shall be the one corresponding to the date for which the reporting is made.

Art. 95
The changes undergone as a result of share issues and redemptions during each financial year shall be put in place by way of derogation from the Law no 31/1990 and shall be registered with the Trade Register Office once a year, within maximum 30 days from the approval of its financial statements.

Art. 96
(1) C.N.V.M. shall issue regulations regarding the requirements that have to be met and the procedure to authorise an investment company, the minimum content of its instruments of incorporation and of the management contract.

(2) The investment company's instruments of incorporation shall form an integral part of the full prospectus and must be annexed thereto.

Art. 97
(1) Investment companies that have not designated a management company shall comply with the provisions of this law applicable to S.A.I. and referred to in art. 55, 58 paragraph (1), subparagraph b), c), e), f), g), h) and paragraph (2) and (3), art. 59 -. 61, art. 66, art. 69, art. 83, paragraphs (2) and (4) as well as with the requirements established by C.N.V.M. regulations.

(2) By way of derogation from art. 85 paragraph (1), C.N.V.M. shall grant authorisation within 6 months from receiving the full documentation in accordance with the regulations, or, shall issue, whenever authorisation is refused, a motivated decision, which may be contested within 30 days from its communication.

(3) Authorisation may be refused or withdrawn if, although the conditions set out in paragraph (1) and (2), and C.N.V.M. regulations are met, prudential management cannot be ensured.

(4) C.N.V.M. may withdraw the authorisation issued to an investment company under the conditions laid out in art. 59.

Art. 98
The provisions of art. 23, 64 and 68 are also applied to the investment companies that have not designated a management company, in accordance with C.N.V.M. regulations.

Art. 99
(1) Investment companies must compulsory apply for admission to official listing, within 90 working days from the date authorisation has been granted.

(2) The shares of an investment company may be redeemed at any time, by applying the provisions of art. 81 and art. 91 paragraph (2).

Art. 100
(1) The general shareholders meeting shall be held according to the provisions of Law no. 31/1990,, of this law and of C.N.V.M. regulations.

(2) By way of derogation from the provisions of art. 121[1] of Law no. 31/1990, the shareholders of an investment company may vote by mail, or may be represented in the general shareholders meeting, by other persons than the shareholders, with the exception of directors, by means of authenticated proxies. C.N.V.M. shall issue regulations on these procedures.

(3) If the vote is sent by mail, the convocation notice of the general shareholders meeting shall include the entire text of the resolution submitted for approval. The convocation notice must be made public at least 30 days before the general shareholders meeting, in a national daily newspaper.

(4) Votes sent by mail and annulled due to a failure to comply with the procedures drawn up by C.N.V.M. shall not be taken into account when the topic on the agenda to which they refer to is voted, but shall be taken into account when calculating the quorum of the general shareholders meeting.

(5) The resolution submitted for approval by the general shareholders meeting shall be drawn up and voted during the general shareholders meeting in a form that is identical with the entire text of the resolution published, in accordance with the provisions of paragraph (2) and (3).

Section 5
The investment policy of undertakings for collective investment in transferable securities

Art. 101
(1) The investments of an O.P.C.V.M. must consist solely of:

a) transferable securities and money market instruments admitted to or dealt in on a regulated market, as defined in art. 125, in Romania or in a Member State,.;
b) transferable securities and money market instruments admitted to official listing on a stock exchange in a non-Member State or dealt in on another regulated market in a non Member State which operates regularly and is recognised and open to the public, provided that the choice of stock exchange or market has been approved by C.N.V.M. or is provided for in the fund rules or the investment company's instruments of incorporation, approved by C.N.V.M.
c) recently issued transferable securities, provided that:

1. the terms of issue include an undertaking that application will be made for admission to official listing on a stock exchange or to another regulated market which operates regularly and is recognized and open to the public, provided that the choice of stock exchange or regulated market has been approved by C.N.V.M. or is provided for in the fund rules or the investment company's instruments of incorporation, approved by C.N.V.M.;
2. such admission is secured within a maximum 1 year of issue ;

d) units of authorised O.P.C.V.M. and/or A.O.P.C., as defined in art. 76, paragraph (1), subparagraphs a) and b), authorized in the Member and non-Member States, provided that they meet cumulatively the following conditions:
1. A.O.P.C. are authorized under laws which provide that they are subject to supervision considered by C.N.V.M. to be equivalent to that laid down in Community legislation, and that cooperation between C.N.V.M. and the competent authority of the home Member State is sufficiently ensured;
2. the level of protection for investors in those A.O.P.C. is equivalent to that provided for the investors in O.P.C.V.M., and in particular that the rules on segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the provisions of this Law;
3. the business of A.O.P.C. is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period;
4. no more than 10 % of the A.O.P.C. and/or other O.P.C.V.M. assets, whose acquisition is contemplated, can, according to their fund rules or instruments of incorporation, be invested in units of other O.P.C.V.M. and A.O.P.C..

e) deposits with credit institutions, which are repayable on demand or have the right to be withdrawn, maturing in no more than 12 months, provided that the credit institution has its registered office in Romania or in a Member State, or if the registered office of the credit institution is situated in a non - Member State, provided that it is subject to the prudential rules considered by C.N.V.M. as equivalent to those laid down in the European Union;

f) financial derivative instruments, including equivalent cash-settled instruments dealt in on a regulated market referred to in subparagraph a) and b) and/or financial derivative instruments traded out of the regulated market, provided that they meet cumulatively the following conditions:
1. the underlying consists of instruments covered by this paragraph, financial indices, interest rates, foreign exchange rates, in which O.P.C.V.M. may invest according to its investment objectives as stated in the fund rules or instruments of incorporation;
2. the counterparties to out of the market negotiations are institutions subject to prudential supervision, and belonging to the categories approved by C.N.V.M.;
3. the derivatives traded out of the regulated market are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the O.P.C.V.M. initiative.
g) money market instruments other than those dealt in on a regulated market, which are liquid and whose value may be precisely determined at any time, if the issue or issuer is itself regulated for the purpose of protecting investors and savings, provided that they are:

1. issued or guaranteed by a central, regional or local authority or central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, a non-Member State or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong, or
2. issued by an undertaking any securities of which are dealt in on regulated markets referred to in subparagraphs (a) and (b),or;
3. issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community legislation, or by an establishment which is subject to and complies with prudential rules considered by C.N.V.M. to be at least as stringent as those laid down by Community legislation or
4. issued by other bodies belonging to the categories approved by C.N.V.M. provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least 10.000.000 euro and which presents and publishes its annual accounts in accordance with Community legislation in force, or an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

(2) The money market instruments referred to in paragraph (1) are liquid, and their value can be accurately determined at any time.

(3) The limits regarding the type of instruments to invest in and the maximum weight of investments for a certain category shall be established by C.N.V.M. regulations.

(4) The distribution or reinvestment of the income of an O.P.C.V.M. shall be effected in accordance with the law and with the fund rules or the investment company's instruments of incorporation.

(5) When an O.P.C.V.M invests in the units of other O.P.C.V.M and/or A.O.P.C. that are managed, directly or by delegation, by the same S.A.I. or by any other company with which the S.A.I. is linked by common management or control, or by a substantial direct or indirect holding, that S.A.I. or other company may not charge subscription or redemption fees on account of the O.P.C.V.M investment in the units of such other O.P.C.V.M and/or A.O.P.C. An O.P.C.V.M. that invests a substantial percent of its assets in other O.P.C.V.M. and/or A.O.P.C. shall indicate in its prospectus the maximum proportion of management fees charged both to the O.P.C.V.M. itself and to the other O.P.C.V.M and/or A.O.P.C. in which it invests. In its annual report, the O.P.C.V.M. shall indicate the maximum proportion of management fees charged to its assets and O.P.C.V.M and/or A.O.P.C assets, in which it invests.

Art. 102
(1) By way of derogation from the provisions of art. 101:
a) an O.P.C.V.M. may invest no more than 10% of its assets in transferable securities and money market instruments, other than those referred to in art. 101;

b) an investment company may acquire only movable or immovable assets which is essential for the direct pursuit of its business;

c) an O.P.C.V.M. may not acquire either precious metals or certificates representing them.

(2) An O.P.C.V.M. may hold ancillary liquid assets either as cash on hand or in current accounts, temporary and under the limits provided by C.N.V.M. regulations.

Art. 103
(1) S.A.I. and the investment company that has not designated a management company must employ a risk management process which enables them:
a) to monitor and measure at any time the risk of their positions and their contribution to the overall risk profile of the portfolio;
b) to employ a process for accurate and independent assessment of the value of derivative instruments, negotiated out of the regulated market.

(2) S.A.I. and the investment company must communicate to C.N.V.M. regularly and in accordance with the detailed rules they shall define, the types of derivative instruments, the underlying risk, the quantitative limits and the methods which are chosen in order to estimate the risk associated with transactions in derivative instruments regarding each O.P.C.V.M. managed.

(3) C.N.V.M. may authorise an O.P.C.V.M. to employ techniques and instruments relating to transferable securities and money market instruments under the conditions and within the limits laid down by regulations provided that such techniques and instruments are used for the purpose of efficient portfolio management. When these operations concern the use of derivative instruments, these conditions and limits shall conform to the provisions laid down in this law and to C.N.V.M. regulations.

(4) Under no circumstances shall the operations referred to in paragraph (3) cause an O.P.C.V.M. to diverge from its investment objectives as laid down by fund rules, instruments of incorporation or prospectus.

(5) An O.P.C.V.M. shall ensure that its global exposure relating to derivative instruments does not exceed the total net value of its portfolio.

(6) The exposure is calculated taking into account the current value of the underlying assets, counterparty risk, future market movements and the time available to liquidate positions.

(7) An O.P.C.V.M. may invest, as part of its investment policy and within the limits laid down by C.N.V.M. regulations regarding investments in transferable securities and money market instruments, financial derivative instruments, provided that the exposure to the underlying assets does not exceed on aggregate the investment limits laid down by C.N.V.M. regulations in accordance with the Community legislation.

Art. 104
(1) O.P.C.V.M.s need not comply with the limits laid down by C.N.V.M. regulations when exercising subscription rights attaching to financial instruments which form part of their assets.

(2) If the limits are exceeded for reasons beyond the control of an O.P.C.V.M. or as a result of the exercise of subscription rights, that O.P.C.V.M. must adopt, as a priority objective for its sales transactions the remedying of that situation, as soon as possible, in accordance with C.N.V.M. regulations, taking into account of the interests of its unit-holders.

Section 6
Rules regarding transparency and publicity

Art. 105
All publicity related to an O.P.C.V.M. shall be allowed only in accordance with C.N.V.M. regulations regarding its content and structure, with a view to ensure transparency and correctness of information.

Art. 106
All publicity must mention the existence of the prospectuses, as well as how they may be obtained.

Art. 107
(1) A S.A.I., for each O.P.C.V.M. managed and investment companies that have not designated a management company, must publish the following documents:
a) a full prospectus;
b) a simplified prospectus;
c) an annual report;
d) a half-year report;
e) periodical reports on their portfolios net value and the net value of each portfolio, in accordance with C.N.V.M. regulations.

(2) The reports referred to in paragraph (1) subparagraph e) are sent, free of charge, on investors' request. All reports shall be submitted to C.N.V.M. within the terms and conditions established by regulations.

(3) The annual and half-year reports must be published within the following time limits, with effect from the ends of the periods to which they relate:
a) 4 months in the case of the annual report,
b) 2 months in the case of the half-yearly report.

(4) The annual and half-yearly reports shall be supplied to unit-holders free of charge on request and shall be available to the public at the places, or through other means approved by C.N.V.M., specified in the full and simplified prospectus.

(5) The annual report must include a balance-sheet or a statement of assets and liabilities, a detailed income and expenditure account for the financial year, a report on the activities of the financial year and the other significant information which will enable investors to make an informed judgment on the development of the activities of the O.P.C.V.M. and its results, provided in C.N.V.M. regulations.

(6) The half-yearly report must include information provided for in C.N.V.M. regulations issued in accordance with the Community legislation in force.

Art. 108
The accounting information provided in the annual report must be audited by financial auditors, in accordance with the provisions of art. 258.

Section 7
Special provisions applicable to O.P.C.V.M.s which market their units in Romania

Art. 109
(1) An O.P.C.V.M. in a Member State may market its units in Romania if it has previously informed C.N.V.M. on its intention and in compliance with all the rules regarding publicity laid down in art. 105 and 106.

(2) Simultaneously, these O.P.C.V.M.s must send C.N.V.M. the following documents:
a) an attestation by the competent authorities in the home Member State to the effect that it fulfils the conditions of domestic legislation in compliance with Community legislation ;
b) the fund rules or its instruments of incorporation;
c) its full and simplified prospectus;
d) its latest annual report and any subsequent half-year reports;
e) details of the arrangements made on the marketing of its units and the procedures to pay unit holders, redeem units and send the information that O.P.C.V.M.s must provide.

(3) An O.P.C.V.M. may begin to market its units in Romania 2 months after the communication referred to in paragraph (1) unless C.N.V.M. and the competent authority in the home Member State establish that the arrangements made for the marketing of units do not comply with the provisions referred to in paragraph (1).

(4) The O.P.C.V.M. which markets its units in Romania must comply with the laws, regulations and administrative provisions in force, which do not fall within the field governed by this Law.

(5) An O.P.C.V.M that markets units in Romania may use the same generic as it uses in the Member State in which it is situated. In the event of any danger of confusion C.N.V.M. may, for the purpose of clarification, require that the name be accompanied by certain explanatory particulars.

Art. 110
(1) An O.P.C.V.M. which markets units in Romania must distribute to investors and C.N.V.M., in accordance with the procedures applicable in the home Member State, the full and simplified prospectus, the updated fund rules or its instruments of incorporation, the annual report and the half-year reports.

(2) The documents referred to in paragraph (1) and in art. 109 shall be provided in Romanian or in one of the official languages approved by C.N.V.M.

(3) C.N.V.M. may authorise the marketing of O.P.C. units, which are not subject to mutual recognition, in a Member State, by establishing the conditions relevant according to the Community legislation.

Section 8
Freedom to provide services

Art. 111
S.A.I. may carry out management activities:
a) in a Member State, in accordance with the provisions of art. 112;
b) in a non - Member State, in accordance with the applicable C.N.V.M. regulations.

Art. 112
(1)The provisions laid down in art. 38 paragraph (1), (2) and (3) subparagraph a), and paragraph (4), art. 39 and art. 40 paragraph (1) - (3) are also applicable to the S.A.I. referred to in art. 111 subparagraph a).

(2) The provisions laid down in art. 41 and 42 are also applied to management companies in Member States.

(3) The provisions laid down in art. 43 are also applied to management companies in non Member States.

(4) C.N.V.M. shall issue regulations for the enforcement of this section.

Art. 113
(1) An O.P.C.V.M which markets its units in another Member State must comply with the laws, regulations and administrative provisions in force in that State which do not fall within the field governed by the legislation applicable to O.P.C.V.M.

(2) Any O.P.C.V.M may advertise its units in the Member State in which they are marketed, in compliance with the provisions governing advertising in that State.

(3) The provisions referred to in paragraphs (1) and (2) must be applied without discrimination.

(4) In the case referred to in paragraphs (1) - (3), the O.P.C.V.M must, inter alia, in accordance with the laws, regulations and administrative provisions in force in the Member State of marketing, take the measures necessary to ensure that facilities are available in that State for making payments to unit-holders, re-purchasing or redeeming units and making available the information which O.P.C.V.M are obliged to provide.

Chapter VI
Collective investment undertakings, other than O.P.C.V.M.

Section 1
General provisions

Art. 114
(1) The provisions laid down in this chapter are applicable to A.O.P.C.s which publicly collect financial resources from natural and/or legal persons and are established as:

a) closed-end investment funds, based on civil contracts which must redeem units at pre-established intervals or at certain dates, according to their instruments of incorporation;
b) closed-end investment companies, based on instruments of incorporation, which issue a limited number of shares and are listed on a market.

(2) The A.O.P.C.s referred to in paragraph (1) must register themselves with C.N.V.M. and comply with the rules laid down in this chapter.

(3) The A.O.P.C.s registered with C.N.V.M. shall entrust their assets for safekeeping to a depository, in accordance with the provisions of chapter IV of this title.

(4) The provisions of art. 64, art. 65 paragraph (2), art. 68, art. 70 subparagraph b) - d), art. 72, art. 74 and art. 82 shall also be applied to A.O.P.C.s.

(5) A.O.P.C.s shall be prohibited from publicly marketing units if it does not comply with the provision laid down in paragraph (2).

Art. 115
(1) The A.O.P.C.s which privately collect financial resources and are managed by a S.A.I. are subject to the provisions of art. 114 paragraph (2).

(2) The A.O.P.C.s which privately collect financial resources and are not managed by a S.A.I shall establish by their instruments of incorporation the rules regarding their investment policy, their business conduct and transparency.

(3) The documents issued by the A.O.P.C.s referred to in paragraph (2) must explicitly include a warning stating that the provisions of this title are not applicable to these undertakings.

(4) The A.O.P.C.s referred to in paragraph (2) which are officially listed are subject to the provisions of Title VI of this law.

Art. 116
(1) C.N.V.M. shall issue regulations specific to each type of A.O.P.C. regarding:

a) the minimum content of instruments of incorporation
b) the investments allowed and their applicable limits;
c) the value of the issue or the nominal value of a unit, as the case may be, or/and the value of an investor's individual investment;
d) units trading rules;
e) fit and proper requirements for the board directors of a self-managed A.O.P.C.

(2) C.N.V.M. shall issue common regulations to closed-end investment funds and closed-end investment companies regarding:
a) transparency, information and reporting obligations;
b) rules of conduct;
c) rules to market on the territory of Romania the units issued by non EU-compliant collective investment undertakings in Member and non Member States;
d) method of calculation the net asset value.

Section 2
Closed-end investment funds

Art. 117
(1) The closed-end investment funds registered with C.N.V.M. are managed by a S.A.I.

(2) The provisions laid down in art. 89 and art. 90 shall also be applicable to closed-end investment funds.

Section 3
Closed-end investment companies

Art. 118
A closed-end investment company registered with C.N.V.M. shall be managed by a S.A.I. or by a Board.

Art. 119
(1) The provisions laid down in art. 92 paragraph (1) and paragraph (3), art. 99 paragraph (1) and art. 100 shall also be applied to closed-end investment companies.

(2) Closed-end investment companies may redeem their own shares in accordance with the conditions laid down in Law no. 31/1990 and in accordance with C.N.V.M. regulations.

Section 4
Investment companies

Art. 120
(1) The provisions of this chapter referring to closed-end investment companies registered with C.N.V.M. are also applicable to investment companies established according to the provisions of Law no. 133/1996 on transformation of the Private Property Funds into investment companies, hereinafter referred to as *S.I.F*.

(2) C.N.V.M. shall issue regulations regarding the minimum content of the S.I.F.'s instruments of incorporation that include at least the followings:

a) rules on issuing, holding and selling shares;

b) method of calculation the net asset value;

c) prudential rules regarding the investment policy;

d) conditions for replacement of the depositories and rules to ensure the protection of shareholders, in the event of such replacement;

e) rules regarding the administrators' remuneration and the administrative expenditures, provided that S.I.F. are not self-managed;

f) identity, fit and proper requirements for the members of the Board.

(3) The shares of a S.I.F. are marketed on a regulated market.

(4) By way of derogation of the provisions referred to in art. 114, paragraph (1), subparagraph b), regarding the issuing of a certain number of shares, the increase of a S.I.F.'s share capital shall be carried out only by public offer of shares, based on a prospectus approved by C.N.V.M., in accordance with the provisions of the Title V of this law and Law no. 31/1990.

Chapter VII

Protection of unit holders

Art. 121
(1) Only in exceptional cases and having regard to the interests of the unit-holders, the self managed investment companies and S.A.I. that act on behalf of an O.P.C.V.M. may temporarily suspend the redemption of its units, on observing the provisions of fund rules, investment companies' instruments of incorporation and C.N.V.M. regulations.
(2) For the protection of the public and investors interest, C.N.V.M. may decide the temporarily suspension or the limitation of the issue and/or redemption of an O.P.C.'s units.

(3) The suspension decision shall specify the terms and the reasons for suspension. Suspension may be extended even after the term initially established has expired, if the reasons for suspension still persist.

(4) In the cases mentioned in paragraph (1), an O.P.C.V.M must without delay communicate its decision to C.N.V.M. and to the competent authorities of all Member States in which it markets its units.

Art. 122
(1) The provisions laid down in art. 21 are also applied to A.O.P.C., S.A.I. and to self-managed investment companies.

(2) C.N.V.M. may suspend a member of the Board provided that it is noticed that his influences likely to be prejudicial to the management of A.O.P.C., S.A.I. or an investment company, authorized by C.N.V.M.

Art. 123
C.N.V.M. shall issue regulations regarding the merger and spin-off of a S.A.I., O.P.C.V.M. and A.O.P.C.

TITLE IV

REGULATED MARKETS FOR FINANCIAL INSTRUMENTS AND THE CENTRAL DEPOSITARY

Chapter I
Regulated markets

Section I
General provisions

Art. 124
(1) The regulated markets for financial instruments are organized and the managed by a legal person established under the form of a joint-stock company, issuer of nominal shares in accordance with Law no. 31/1990, authorised and supervised by C.N.V.M, hereinafter referred to as a *market operator.*

(2) C.N.V.M. shall publish in the Official Gazette of Romania, Part I, any decision regarding the granting/withdrawal of a market operator's authorisation.

(3) The market operators authorised to function in Romania shall be registered with C.N.V.M.

(4) The list of authorised regulated markets shall be communicated to Member States as well as to the European Commission, together with the regulations, instructions and procedures regarding operations on these markets, as well as any subsequent changes.

(5) The company that manages a regulated market shall be qualified to sue and may intervene in any trial with respect to any rights, obligations, claims and complaints related to the activity of the administered markets.

Art. 125
A regulated market is a system for trading financial instruments, as set out in art. 2, paragraph (1) indent 11 and which:

a) functions regularly;
b) is characterised by the fact that the regulations issued or approved by C.N.V.M. define the conditions for the operation of the market, the conditions for access to the market and the conditions governing admission to listing of a financial instrument;
c) complies with all the transparency and reporting requirements laid down in this law, as well as in the regulations issued by C.N.V.M. in accordance with the Community legislation .

Section 2

Authorisation, functioning and withdrawal of authorisation of a market operator

Art. 126
(1) The conditions and the documents that must accompany the authorisation application, as well as the procedure to authorise the market operator, shall be established by C.N.V.M. regulations and shall refer mainly, to:

a) the joint-stock company's minimum share capital and the financial resources required to carry out its activity;
b) its regular business consists of the management of regulated markets for financial instruments as well as of non-core activities related to this;
c) shareholder structure, the identity and the integrity of the shareholders who own 5% of the voting rights;
d) the business plan, the organisational structure and the internal regulations;
e) the skills and professional expertise of the managers and of the directors of the market operator;
f) technical equipment and resources;
g) the contract concluded with a financial auditor, member of the Financial Auditors Chamber of Romania which are meeting the common requirements established by CNVM and Financial Auditors Chamber of Romania.

(2) The conditions on which authorisation has been granted must be met during the entire functioning of the market operator. Any changes in these conditions must be submitted first to authorisation by C.N.V.M.

(3) The market operator may not limit the number of persons with access to the regulated market managed.

Art. 127
The market operator's authorisation application shall be rejected, as the case may be, if:

a) the documents submitted have not been drawn up according to the regulations in force or the data provided are incomplete or incorrect;
b) the documents submitted are not enough to establish if the market operator shall carry out its activity according to the regulations in force;
c) the market operator's administrators or managers do not have the adequate professional skills or expertise to comply with their positions according to C.N.V.M. regulations;
d) market transparency, the well-functioning of transactions and investors protection are not ensured;
e) the provisions of this law or of C.N.V.M. regulations are not complied with.

Art. 128
C.N.V.M. shall withdraw a market operator's authorisation:

a) if the market operator does no longer comply with the conditions on which the granting of authorisation has been based;
b) if the market operator has not carried out the activity for which it has been granted authorisation for more than 6 months;
c) if authorisation has been granted based on false or misleading information;
d) if the market operator has breached the provisions of this law or of the regulations issued by C.N.V.M.;
e) in case of a merger or spin-off;
f) on request.

Art. 129
(1) No market operator shareholder shall hold directly or indirectly more than 5% of the total voting rights.

(2) Any acquisition of the market operator which results in the holding of 5% of the total voting rights shall be notified to the market operator within the term established by C.N.V.M. regulations and first submitted to approval by C.N.V.M.

(3) Any sale of shares belonging to the market operator shall be notified to the latter and to C.N.V.M. within the term established by the regulations issued by C.N.V.M.

(4) If the requirements regarding the good reputation and integrity of the shareholders are not met or if there is no approval by C.N.V.M., the voting rights underlying the shares held by not complying with the provisions laid out in paragraph (1) and (2) are rightfully suspended, followed by the application of the procedure laid down in art. 291.

Art. 130
(1) The members of the market operator's Board are individually validated by C.N.V.M. before they each start exercising their mandate.

(2) The executive management, their spouses and relatives, as well as their in-laws, second rank ones included, may not be shareholders, administrators, censors,, employees, investment services agents, representatives of the internal control department for an intermediary or other persons involved.

(3) The members of a market operator's Board must notify in writing the market operator of the nature and the extent of their interest or of the material relations, if:

a) they are part of a contract concluded with the market operator;
b) they are the administrators of a legal person that is part of a contract concluded with the market operator;
c) they are closely linked or are involved in a material relation with a person that is part of a contact concluded with the market operator;

d) they are in a position that may influence the adoption of a decision within Board meetings.

Art. 131
The market operator must identify and prevent by its own regulations any conflicts of interest between it and its shareholders, its administrators and the regulated market in order to ensure its well-functioning.

Art 132
C.N.V.M. shall establish by regulations the general conditions for trading in financial instruments that are officially listed in Romania, the procedures to carry out transactions and the terms within which the intermediaries involved shall report these transactions.

Art. 133
(1) Market operators shall ensure compliance with the norms regarding transparency and investor protection, in accordance with the regulations issued by C.N.V.M.

(2) The regulations, the regulated market's quotations, as well as the trading volumes are public information and must be made available to the public at least on the market operator's internet pages.

(3) In order to enable investors to assess at any time the terms of a transaction they are considering and to verify afterwards the conditions under which it has been carried out, the market operator shall provide investors with the information set out in C.N.V.M. regulations, which shall establish the means, the form and the term in which this information must be provided, having regard to the nature, size and needs of the regulated market concerned and of the investors operating on that market.

(4) The market operator shall comply with C.N.V.M. requirements regarding prevention and identification of market abuse.

Section 3
Rregulations issued by the market operator

Art. 134
(1) The organisation and functioning of the regulated market are established by the regulations issued by the market operator and adopted by the general shareholders meeting and approved by C.N.V.M. in accordance with the provisions of this law and the applicable Community legislation.

(2) The regulations laid down in paragraph (1) shall at least establish the following:

a) the conditions and the procedures for admission, exclusion and suspension of intermediaries to and from trading;

b) the conditions and the procedures for admission, exclusion and suspension of financial instruments to and from trading;
c) the conditions and the procedures for trading, as well as the obligations of the intermediaries and issuers admitted for trading;
d) the professional standards imposed on the persons who operate on the regulated market;
e) the procedures regarding the calculation and the publication of prices and quotations;
f) types of contracts and operations that are allowed;
g) the management and the release of information to the public;
h) contractual standards and the clearing-settlement system used;
i) the security and control mechanisms of IT systems to ensure the safekeeping of stored data and information, of files and databases, also in the case of special events.

(3) The competency to approve the regulations laid down in paragraph (1) and (2) subparagraph b) - g) may be delegated to the market operator's Board.

(4) The Board must notify C.N.V.M. of any breach of this law, of C.N.V.M. regulations and market rules, as well as of the measures adopted in this respect.

(5) The level of the fees and tariffs charged by the market operator shall be approved by the general shareholders meeting and notified to C.N.V.M.

(6) The market operator may establish an arbitrage system to settle disputes between intermediaries and/or issuers whose financial instruments are admitted to trading on the regulated markets managed by that market operator.

Section IV
The supervision of regulated markets

Art. 135
(1) C.N.V.M. shall supervise regulated markets in order to ensure transparency, the adequate functioning of trading activities and investor protection.

(2) C.N.V.M. shall establish the rules of recording and storing data regarding the trading of financial instruments on regulated markets, as well as the terms and conditions for keeping this information.

(3) In order to ensure the exercising of its supervision and control prerogatives, C.N.V.M. may appoint an inspector whose main duties are:

a) to monitor compliance with the relevant legal regulations;

b) to attend, without voting, the general shareholders meeting and the Board meetings of the market operator being able to make comments and require for them to be included in the minutes of the meeting;

c) to have free access to all the premises, all the documents, information and records of the market operator;

d) to inform and propose to C.N.V.M. measures for any situation acknowledged.

(4) The market operator shall ensure all the necessary means and conditions in order for the inspector to fulfil his duties set out in paragraph (3).

Art. 136
(1) C.N.V.M. may require the market operator to send data, information and documents, periodically or in any other way, also establishing the term when these shall be sent.

(2) C.N.V.M. shall require that changes be made in the regulations issued by the market operator.

(3) C.N.V.M. may organise inspections and may adopt the necessary measures as regards any individual market operator.

Art. 137
(1) C.N.V.M. may suspend part or all the operations involving financial instruments if it acknowledges the failure to comply with the legal provisions and/or it estimates that the maintaining of an organised market is impossible, and investors' interests could be affected.

(2) Any decision of suspension made according to paragraph (1), as well as the reasons on which it has been made shall be immediately made public and shall be published in the C.N.V.M. Bulletin.

Art. 138
If authorisation of a market operator has been withdrawn, starting with the date mentioned in the decision, no operations involving financial instruments shall be carried out on that market, and the transaction orders recorded by the intermediaries and still not executed at that time become null, being replaced by the right to repossess the securities, the amounts deposited, and the fees charged, while the operations carried out up to that date shall be finalised at their maturity, as their intermediaries must comply with the clauses of the contracts concluded with their investors. The same measures shall be applied in the situation referred to in art. 137 paragraph (1).

Chapter II
Alternative trading systems

Art. 139
(1) The alternative trading system may be managed, by way of derogation from art.6, by the authorised intermediaries or by the market operator, hereinafter referred to as *system operators.*

(2) The securities which do not comply with the requirements of admission for trading on a regulated market may be traded within an alternative trading system.

(3) System operators shall submit for approval by C.N.V.M. their intention to establish an alternative trading system and shall apply for its approval.

(4) The system management, the full description of its features and its functioning rules shall be submitted for approval by C.N.V.M.

(5) The functioning rules of the alternative trading system shall at least include the following:

a) the trading procedures;
b) the procedures referring to the information made available to the participants and the public before and after trading;
c) the type and the number of participants, as well as the requirements to access the alternative trading system;
d) the financial instruments traded.

(6) C.N.V.M. may require the modification of the procedures issued by the alternative trading system operator.

Art. 140
(1) The alternative trading system shall be structured so that:

a) to ensure the orderly and correct carrying out of operations;

b) to ensure intermediaries fair access to the alternative trading system and an equal treatment for all participants;

c) to guarantee that the procedures applicable to the system are able to ensure the possibility to obtain the best price at a given moment;

d) to provide sufficient information regarding the orders made and the transactions concluded according to minimum transparency standards;

e) to comply with C.N.V.M. requirements regarding the prevention and detection of market abuse, the prevention of money laundering and the financing of terrorist acts.

(2) Participants to an alternative trading system shall be informed by the system operator of their obligations to clear-settle transactions within the system.

Art. 141
The system operator shall monitor compliance by the participants with the contracts concluded by the latter.

Art. 142
(1) C.N.V.M. shall issue general norms regarding the establishment, supervision and functioning of alternative trading systems.

(2) C.N.V.M. may appoint an inspector to delegate supervision and control of alternative trading systems.

Chapter III

The clearing and settlement of transactions involving financial instruments other than derivatives

Art. 143
(1)The general conditions regarding clearing and settlement operations, as well as gross settlement ones for transactions involving financial instruments other than derivatives, which may take place within the clearing-settlement system are established by C.N.V.M. together with the National Bank of Romania and other competent authorities, as the case may be.

(2) The provisions of this chapter are applied to neither the clearing-settlement systems of the operations with money market instruments nor those of state bonds undertaken out of the regulated market defined by this law, as well as to those carried out within the trading systems authorised by the National Bank of Romania and organized by credit institutions.

Art. 144
(1) The authorisation and supervision of the system referred to in art. 143 and of the company which manages this system shall be carried out by C.N.V.M. with the National Bank of Romania and the other competent authorities, as the case may be.

(2) For this purpose, C.N.V.M. shall be able to require the administrators of the clearing-settlement system, the employees of the company which manages the clearing-settlement system and the participants to the clearing-settlement system, to provide the necessary information as regards the clearing and the settlement of transactions.

(3) C.N.V.M. may organise inspections at the premises of the company which manages the clearing-settlement system.

Art. 145
The transfer of the property right underlying financial instruments, other than derivatives, takes place, at the settlement time, within the clearing-settlement system based on the delivery versus payment principle.

Chapter IV
The central depository

Section 1
General provisions

Art. 146
(1) The central depository is that legal person established as a joint-stock company, issuer of nominal shares in accordance with Law no. 31/1990, authorised and supervised by C.N.V.M., which deposits securities and carries out other related operations.

(2) The central depository shall perform clearing-settlement operations related to securities transactions, according to the provisions laid down in art. 143.

(3) The provisions of this title are not applied to the state bonds depository.

(4) The issuers for whom depository operations are performed conclude contracts with the central depositary, which also performs registration for them, providing information according to the provisions of this article or on their request.

(5) The central depositary shall provide the issuers with the required information in order for them to exercise their rights underlying the deposited securities, being able to provide services for the fulfilment of the issuer's obligations to the securities holder.

(6) In order to determine the shareholder structure of an issuer at a certain reference date, intermediaries shall report to the central depository the holders of each individual sub-account.

(7) The reporting referred to in paragraph. (6) shall be carried out as follows:

a) for a certain security within three working days from the date of the central depositary's request;

b) for all securities within three working days from 30 June and 31 December.

Art. 147
All classes of securities traded on a regulated market or within an alternative trading system must be deposited with the authorised central depository, so that to carry out securities operations in a centralised manner and to ensure the consistent recording of these operations.

Section 2

The setting up and functioning of the central depository

Art. 148

(1) The conditions, the documents which must accompany the authorisation application, as well as the procedure to authorise the central depositary shall be established by the regulations issued by C.N.V.M. and shall at least refer to:

a) the minimum share capital of the joint-stock company;
b) the core activity and the non-core activities that may be carried out;
c) shareholder structure;
d) the requirements for integrity, skills and professional experience which must be met by administrators and by the management of the company;
e) technical equipment and resources;
f) shareholders' quality;
g) the company's financial auditors.

(2) The conditions based on which authorisation is granted shall be met during the entire functioning of the company. Any change shall be first submitted for authorisation by C.N.V.M.

(3) By the time Romania joins the European Union, the central depository shall not distribute dividends, and the profits earned shall be employed mainly for the development of its own operation systems.

Art. 149

(1) The regulations regarding the organisation and functioning of the central depository shall be submitted for approval by C.N.V.M before its entry into force.

(2) The amount of fees and tariffs charged by the central depository shall be approved by its general shareholders meeting and notified to C.N.V.M.

(3) The members of the central depository's Board are individually validated by C.N.V.M. before each of them starts exercising his mandate.

Art. 150

(1) The central depository's shareholders may not hold more than 5% of the voting rights, except for the market operators, which may hold up to 75% of the voting rights, with the approval of C.N.V.M.

(2) Any share acquisition by the central depository which shall result in a holding of 5% of the total voting rights, shall be submitted first to approval by C.N.V.M.

(3) Any sale of shares shall be notified to C.N.V.M., within the term laid down in the regulations issued by the latter.

(4) If the requirements regarding shareholders integrity are not met or if there is no approval by C.N.V.M., the voting rights underlying the shares held by failure to comply with the requirements mentioned above are rightfully suspended through the application of the procedure laid down in art. 283.

Art. 151
(1) The securities accounts opened with the central depository on behalf of the intermediaries shall be recorded so that to ensure the separation between the securities held for its own account from those held for the account of the investors.

(2) Intermediaries must keep individual securities sub-accounts held for the account of the investors and write down daily in their own register the holdings, for each investor, and for each class of securities.

(3) The central depository shall be directly responsible for the daily matching between the amount of securities recorded with the securities accounts and the amount of securities issued.

(4) The setting up of guarantees for the deposited securities shall be carried out by recording the details of the guarantee in the account of the securities owner. The records shall include the amount of securities set up as guarantee, the obligation guaranteed and the identity of the creditor.

(5) The guarantees shall be set up by attaching the securities with the central depository unless the parties establish otherwise through the guarantee contract.

(6) The guarantees referred to in paragraph (4) meet the publicity requirement for the purposes of opposability and establishment of creditors' priority from the moment of their registration with the central depository.

Art. 152

C.N.V.M. shall issue regulations regarding the operations carried out by the central depository and the entities for which it carries out these operations.

Section 3
Supervision of the central depository

Art. 153
(1) C.N.V.M. supervises the activity of the central depository to ensure the transparency of the operations, the well development of the activities and the protection of the investors.

(2) C.N.V.M. may require the modification of the regulations issued by the central depository.

Art. 154
C.N.V.M. may require the central depository to periodically send data, information and documents, may organise inspections at the premise of the central depository and may request to be provided with all the necessary documents, including their procedures and terms for their delivery

Art. 155
(1) The securities kept in accounts opened with the central depository may not be considered as part of the latter's assets and may not be subject to any claims from the depository's creditors.

(2) The provisions of paragraph (1) shall also be applied in case of bankruptcy or winding up of the central depository.

Art. 156
If bankruptcy proceedings are opened against the central depository, the bailiff shall appoint the trustee in bankruptcy, with the approval of C.N.V.M.

Chapter V
The clearing and settlement of transactions involving derivative instruments and the services of the central counterparty

Section 1
General provisions

Art. 157
(1) The clearing and settlement of transactions involving derivative instruments as well as any operations related to these shall be carried out through the clearing house authorised by C.N.V.M., in accordance with the regulations issued by the latter.

(2) The clearing house is an entity responsible for the calculation of the net positions of intermediaries, a possible central counterparty and/or a possible settlement agent.

(3) The settlement agent is the entity which opens for authorised intermediaries and/or for a central counterparty participating in the system, settlement accounts, through which, based on transfer orders from the system, settles transactions involving financial instruments, or, as the case may be, extend credit to those intermediaries and/or central counterparty for settlement purposes.

(4) The central counterparty is an entity which is interposed between the intermediaries in a system and which acts as the exclusive counterparty of them with regard to their transfer orders.

(5) The clearing house for derivative instruments functions as a central counterparty.

(6) The same entity may be authorised to act as a central counterparty for derivative instruments, as well as for financial instruments, other than derivatives.

Art. 158
C.N.V.M shall issue regulations in accordance with the Community legislation on the conditions that the clearing members have to meet and on the procedure to hold and enforce guarantees, hereinafter referred to as *margins*, settle and secure the positions held by clearing members, including for their own account, as well as the criteria to manage the funds of the clearing house and of the central counterparty.

Section 2
The setting up and functioning of the clearing house and of the central counterparty

Art. 159
(1) The clearing house and the central counterparty are legal persons, established as joint-stock companies, issuers of nominal shares, fully paid for in cash, at the time of submitting the authorisation application.

(2) C.N.V.M. regulates the setting up and functioning of the clearing house and/or the central counterparty, to ensure the safety of transactions involving derivative instruments and financial instruments other than derivatives.

(3) The provisions of art. 148 and art. 149 shall be applied to the clearing house and also to the central counterparty authorised by C.N.V.M.

Art. 160
(1) Any share acquisition by the clearing house/the central counterparty which shall result in a holding equal to or exceeding 10%, 20%, 33%, 50% of the total voting rights, shall be submitted for approval by C.N.V.M.

(2) The provisions of art. 150, paragraph (3) and (4) shall be applied to the clearing house and also to the central counterparty authorised by C.N.V.M.

Art. 161
(1) The central counterparty shall open and hold a margin account for each clearing member, where it shall collect margins for open positions. The margins may not be used for other purposes than that specified in the regulations referred to in art. 158.

(2) The margins set up on behalf of the clearing members may not be considered part of the assets of the clearing house/central counterparty and may not be subject to the claims or the payment of the clearing house/central counterparty's creditors.

(3) The provisions set out in paragraph (2) shall also be applied in the case of the bankruptcy or the winding up of the clearing house/central counterparty.

Section 3
Regulations regarding the activity of the clearing house and of the central counterparty

Art. 162
(1) The regulations of the clearing house/central counterparty shall be submitted for approval by C.N.V.M. and shall at least refer to:

a) the organisation and functioning of the system;
b) the relationships between the clearing house/central counterparty and the clearing members, including norms regarding the lack of clearing funds;
c) the margins/guarantees, the calculation methodology and the method of payment, including norms on the re-evaluation of open positions using current market prices;
d) mark-to-market procedures;
e) the procedures that shall be used if a clearing member fails to meet its obligations to set up margins or to pay any other amounts;
f) system risk management.

(2) The competency to approve the regulations laid down in paragraph (1) may be delegated to the Board.

Art. 163
(1) The clearing house and the central counterparty must comply with the principle of separating its records from those of the clearing members.

(2) The clearing house and the central counterparty must meet public requirements, promote the objectives of the holders and users and allow open and fair access, to facilitate an orderly exit from the market for the participants who no longer meet the public criteria required from members.

(3) The clearing house and the central counterparty must make available to the participants sufficient information to correctly identify and assess the risks and the costs related to the services of the clearing house and the central counterparty.

Section 4
Supervision of the clearing house and the central counterparty

Art. 164
The clearing house and the central counterparty must ensure the orderly carrying out of their activity, the transparency of operations, as well as periodical and correct reporting.

Art. 165
C.N.V.M. shall supervise the activity of the clearing house and the central counterparty and may require them to communicate data, information and documents, may organise inspections at their premises and may require them to make available all the necessary documents, including the procedures and terms for their delivery.

Art. 166
C.N.V.M. may require the modification of the regulations issued by the clearing house and the central counterparty.

Art. 167
The provisions of art. 156 shall be applied to the clearing house/ central counterparty authorised by C.N.V.M.

Chapter VI
Finality of transfers within the clearing-settlement system

Section 1
General provisions

Art. 168
(1) For the purposes of this chapter:

a) *participant* is an authorised intermediary, a central counterparty, a settlement agent, or a clearing house. According to the rules for the functioning of the system, the same participant may act as a central counterparty, a clearing house or a settlement agent or carry out all these tasks, or only part of them;

b) *indirect participant* is a credit institution which may send transfer orders within the system, based on a contractual relationship with an institution participant within the system, and which carries out transfer orders.

(2) The provisions of this chapter shall be applied to the clearing-settlement system, referred to in paragraph (3), to all the participants to the settlement systems and to all the guarantees set up when participating in a clearing-settlement system.

(3) *The clearing-settlement system* is a contract concluded between 3 or more participants, without taking into account a possible settlement agent, a possible central counterparty, a possible clearing house and a possible indirect participant, with common rules and standardised contracts for the execution of transfer orders involving financial instruments between the participants, authorised by C.N.V.M. or other competent authority of the Member State, as the case may be.

Section 2
Netting and transfer orders

Art. 169
(1) Transfer orders are irrevocable, yield legal effects for the participants and are opposable to third parties from the moment of their introduction into the clearing-settlement system, a moment established by the rules of the system.

(2) Transfer orders and netting are valid, yield legal effects and are opposable to third parties even if insolvency proceedings are opened against a participant, provided that those transfer orders have been introduced into the system before the insolvency proceedings have been opened.

(3) As an exception, if transfer orders are introduced into the system after the moment when the insolvency proceeding have been opened, these transfer orders and netting shall yield legal effects and are opposable to third parties, provided that the settlement agent, the central counterparty or the clearing house may prove, after settlement, that they were not aware and should not have been aware of the fact that insolvency proceedings have been opened.

(4) No legal regulation, rule, provision or practice regarding the annulment of certain contracts and transactions concluded before the moment when the insolvency proceedings have been opened, may cause the annulment of transfer orders, nettings, payments or subsequent transfers referred to in paragraph (1) and (2).

Section 3
Provisions regarding insolvency proceedings

Art.170
(1) For the purposes of this law, the moment when insolvency proceedings are opened is the time when a competent authority issues the decision to open that procedure.
(2) The competent authority that has issued the decision to open insolvency proceedings shall immediately communicate its decisions to C.N.V.M., by fax or e-mail with confirmation of receipt.

Art. 171
(1) Insolvency proceedings do not yield retroactive effects on the participants' rights and obligations that result from/or are related to their participation to the clearing-settlement system, issued before the time of starting these proceedings.

(2) After the opening of insolvency proceedings, the settlement agent, on behalf and for the account of the participant, for the purpose of fulfilling the obligations contracted in relation to its participation to the system, concluded before insolvency proceedings have been opened, may use:

a) financial instruments and funds available in the participant's settlement account;
b) guarantees set up in order to fulfil the participant's obligations related to its participation to the system.

(3) The guarantees and the deposits set up within the clearing-settlement system by a participant against whom insolvency proceedings have been opened shall not be affected by them. After the obligations contracted in relation with its participation to the system have been fulfilled, before the opening of insolvency proceedings, the participant's assets may be used within the proceedings.

(4) If insolvency proceedings are opened against a participant, the financial instruments and/or the funds held on its behalf and for the account of its investors, shall not be subject to any claims or payments to the creditors of that participant.

Art. 172
The enforcement of guarantee contracts concluded by the entities regulated by C.N.V.M. according to Government Ordinance no. 9/2004 regarding guarantee contacts, approved by Law no. 222/2004 shall be carried out in compliance with the regulations issued by C.N.V.M.

TITLE V
MARKET OPERATION

Chapter 1
Public offers

Section 1
Common provisions

Art. 173
(1) Any person who wishes to make a public offer shall submit to C.N.V.M. an application for the approval of the prospectus, in the case of a public sale offer or of the offer document in the case of a public purchase offer, accompanied by an announcement, in accordance with the regulations issued by C.N.V.M.

(2) Once approved, the prospectus/ offer document shall be made available to the public at the latest at the beginning of the offer to the public.

Art. 174
(1) The public offer carried out without the prospectus/the offer document being approved, or without complying with the conditions established by the approval decision is rightfully null and results in the enforcement of the sanctions set out by the law.

(2) The offeror must undertake to reimburse the payments and to pay damages resulting from the nullity of the transactions concluded based on such offers to investors in good faith.

Art. 175
(1) The public offer announcement may be launched at any moment after the decision to approve the prospectus/ offer document has been issued by C.N.V.M. and must be published in at least two national daily newspapers.

(2) The public offer announcement shall include information on the means by which the prospectus/ offer document shall be made available to the public.

(3) The prospectus/ offer document shall be deemed available to the public when:

a) it is inserted in one or more national daily newspapers;

b) it is made available to a potential investor, free of charge, in a printed form, at least at the premises of the offeror and of the intermediary involved, or at the premises of the operator of the regulated market where the securities are admitted to official listing;

c) it is published in an electronic form on the offeror's website and on the intermediary's website;

d) it is published in electronic form on the website of the market operator, on the market where admission to official listing is sought;

e) it is published in electronic form on the website of C.N.V.M., if it has decided to offer this service.

(4) Where the prospectus/offer document was made available by publication in electronic form, a paper copy must nevertheless be delivered to the investor, upon his request and free of charge, at the premises of the offeror or of the offeror's intermediary.

Art. 176
On the date of publishing the announcement, the offer becomes mandatory, and the prospectus or the offer document must be made available to the public, in the form and with the content approved by C.N.V.M.

Art. 177
The period of time when the offer is valid is the one set out in the announcement and in the prospectus or the offer document, but may not exceed the terms established by C.N.V.M regulations. When the validity of the offer expires, the public offer becomes obsolete.

Art. 178
(1) Any type of advertisements relating to an offer shall be made available to the public only after it has been approved by C.N.V.M.

(2) Any type of advertisements for the offer, prior to the issuing of the decision to approve the document/prospectus shall be prohibited.

(3) The information contained in the advertisements shall be consistent with the information contained in the prospectus/offer document. These advertisements must mention that the prospectus/offer document approved by C.N.V.M. has been made public, as well as the means by which they are available to the public.

(4) Any type of advertisements which are meant to result in the accepting of the public offer, by means of presenting this offer as the beneficiary of advantages or other qualities as a result of C.N.V.M.'s decision to approve the document/prospectus shall be considered deceit by abusive or misleading advertising, which damages the transactions proved to have been motivated by such presentation.

Art. 179
(1) Any significant new event or the modification of the original information presented by the prospectus or by the offer document, which is capable of affecting the investment decision, during the time when the offer is valid, shall be included in a supplement.

(2) This supplement shall be approved by C.N.V.M. within maximum 7 working days and shall be made available to the public by an announcement, according to the conditions laid down in art. 175 paragraph (1).

Art. 180
If C.N.V.M. is required to approve a prospect/offer document, it may:

a) require the offeror to include in the prospectus/offer document supplementary information , if necessary for investor protection;

b) require the offeror and the persons that control it or are controlled by it, to provide information and documents;

c) require auditors and managers of the offeror and intermediaries, to provide information and documents, if necessary for investor protection;

d) suspend an offer, whenever it is considered necessary, for a maximum of 10 working days on any single occasion, if it has reasonable grounds for suspecting that the provisions of this law and the regulations issued by C.N.V.M. have been infringed;

e) prohibit or suspend advertisements related to a public offer, whenever it is considered necessary, for a maximum of 10 working days on any single occasion, if it has reasonable grounds for believing that the provisions of this law and the regulations issued by C.N.V.M. have been infringed.;

f) order the withdrawal of the approval decision, if it finds out that the public offer is made by the infringement of the provisions of this law, of the regulations issued by C.N.V.M., as well as in the following situations:

1. if it considers that the circumstances subsequent to the approval decision trigger fundamental changes to the elements and the data which have motivated it;

2. when the offeror informs C.N.V.M. of its withdrawing the offer before the launching of the offer announcement;

g) order the annulment of the approval decision if it has been obtained based on false or misleading information;

i) make public the fact that an offeror is failing to comply with its obligations.

Art. 181

(1) The suspension of the public offer makes it become invalid. When suspension is withdrawn or ceases, the public offer becomes valid again.

(2) The revocation of the decision to approve the document/prospectus, during the time the public offer is valid, annuls the effects of the subscriptions made until the time of the revocation.

(3) The annulment of the decision to approve the document/prospectus annuls the effects of the transactions carried out until the date of the annulment and results in the return of the securities, or, respectively, of the funds received by the offerors, voluntary or following a court decision.

Art. 182

(1) The following persons are responsible for failing to comply with the legal provisions regarding the truthfulness, accuracy and exactness of the information in the prospectus/offer document and in the announcement, as the case may be:

a) the offeror;
b) the offeror's members of the Board or the sole manager;
c) the issuer;
d) the issuer's members of the Board;
e) the founders, in case of public subscription;

f) the financial auditor who has certified the financial statements whose information has been inserted in the prospectus;
g) the offeror's intermediaries**;**
h) any other entity which has accepted in the prospect the responsibility as regards to any information, survey or assessment inserted or mentioned.

(2) The following persons are responsible, irrespective of their fault, and are jointly held liable:

a) the offeror, if any of the entities referred to in paragraph (1), subparagraphs b), g) and h) is responsible;
b) the issuer, if any of the entities referred to in paragraph (1) subparagraphs d) – f) is responsible;
c) the manager of the intermediation group, if a member of the intermediation group is responsible.

(3) The right to receive damages shall be exercised within maximum 6 months from the date when the shortcomings of the prospectus/document have been acknowledged, but no later than 1 year from the date when the public offer has been closed.

Section 2
The public sale offer

Art. 183
(1) No public sale offer may be made without prior publication of a prospectus approved by C.N.V.M.

(2) The public sale offer shall be made through an intermediary authorised to provide investment services.

(3) By way of derogation from paragraph (1) the obligation to publish a prospectus shall not apply to the following situations:

a) for the following types of offers:

1. an offer addressed solely to qualified investors;

2. an offer addressed to fewer than 100 investors, natural or legal persons, other than qualified investors;

3. the total amount of the offer, the issuing price of the securities and the minimum subscription made by an investor in the offer are at least equal to the amounts established by C.N.V.M. regulations;

b) for the following types of securities:

1. securities offered, allotted or to be allotted in connection with a merger, provided that a document is available containing information that is regarded by C.N.V.M. as being equivalent to that of the prospectus, taking into account the requirements of the Community legislation;
2. shares offered, allotted or to be allotted free of charge to existing shareholders, as well as dividends paid out in the form of shares of the same class as the shares in respect of which such dividends are paid, provided that a document is made available containing information on the number and nature of the shares and the reasons for any details of the issue;
3. shares issued in substitution for shares, of the same class, already issued, if the issuing of such new shares does not involve any increase in the share capital.

c) other cases set out in the regulations issued by C.N.V.M.

(4) Any subsequent re-sale of securities which have previously been subject to a type of offer referred to in paragraph (3), shall be considered a distinct operation; the provisions laid down in art 2 indent 18 following to be applied for the purpose of deciding the extent to which this re-sale operation is a public offer.

(5) In the case of O.P.C.V.M.s, the prospectus shall be drawn up in accordance with the provisions laid down in title III.

Art. 184

(1) The offer prospectus shall contain all information which, according to the particular nature of the issuer and of the securities offered to the public, is necessary to enable investors to make an informed assessment of the assets and the liabilities, financial position, profit and loss, and prospects of the issuer and of any guarantor to the fulfilment of the obligations undertaken by the issuer, if necessary, and of the rights attaching to such securities.

(2) The offer prospectus approved by C.N.V.M. shall be valid for 12 months after its publication, and may be used for several securities issues during this time interval provided that its information is updated according to the provisions laid down in art. 179.

(3) The prospectus shall also contain a summary of the information included.

(4) The summary shall, in brief manner and in non-technical language, convey the essential characteristics and risks associated with the issuer, the entity which guarantees the fulfilment of the obligations undertaken by the issuer, if necessary, as well as the securities offered. The summary shall also contain a warning to the potential investors that:

a) it should be read as an introduction to the prospectus;
b) any decision to invest should be based on consideration of the prospectus as a whole by the investor;

c) where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff shall have to bear the costs of translating the prospectus into Romanian;
d) civil liability, attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification regarding cross-border public offers, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus.

Art. 185
(1) The prospectus may be drawn up as a single document or having several separate documents, namely:

a) a registration document, containing information related to the issuer;
b) a securities note regarding the features of the securities offered or to be admitted to official listing;
c) a summary note of the prospectus.

(2) The registration document of the issuer approved by C.N.V.M., is available for a period of 12 months, provided that it is updated according to C.N.V.M. regulations.

(3) An issuer which already has a registration document approved by C.N.V.M. shall be required to draw up and submit for approval only the documents referred to in paragraph (1) subparagraph b) and c) when intends to launch a new public offer.

(4) In the situation referred to in paragraph (3), the securities note regarding the features of the securities offered or to be admitted to trading on a regulated markets shall also contain information regarding the issuer, if there has been a material change or recent developments which could affect investors' assessments since the latest updated registration document.

Art. 186
(1) The information regarding the issuer, previously published and approved by C.N.V.M. or filed with it in accordance with the legal provisions, may be referred to within the prospect.

(2) If, within the prospect, reference is made of the information referred to in paragraph (1), a cross-reference list must be drawn up in order to enable investors to identify this information.

(3) The summary note shall not make reference to the information referred to in paragraph (1).

Art. 187
The minimum content of the information which must be included in the prospectus when a prospectus is composed of separate documents, or of a single document, their presentation according to the type of securities that are subject to the offer and the

documents that must accompany the prospectus, shall be established by C.N.V.M. regulations.

Art. 188
(1) C.N.V.M. shall decide on the approval of the prospectus within 10 working days from the registration of the request.

(2) The time limit referred to in paragraph (1) shall be extended to 20 working days if the securities are issued by an issuer which applies for the first time for admission to admitted to trading on a regulated marketor which has not previously offered securities to the public.

(3) Any request for additional information or for the modification of the information already presented in the prospectus, by C.N.V.M. or by the offeror, shall interrupt these terms which shall start again from the date when the said information or modifications are provided.

Art. 189
(1) Where prices and amounts of securities which shall be offered to the public cannot be included in the prospectus, when it has been approved, the prospectus shall contain:

a) the criteria and/or conditions in accordance with which the price and the amount of the securities which shall be offered to the public shall be determined, and in the case of price, the maximum price, or
b) the possibility to withdraw the subscriptions made within at least 2 working days from the date when the final price and the amount of securities offered has been registered with C.N.V.M. and published according to the provisions laid down in art.175..

(2) Investors who have already agreed to subscribe for the securities before the supplement to the prospectus is published, shall have the right to withdraw their acceptances, within 3 working days after the publication of the supplement.

Art. 190
Price fixing shall be performed according to C.N.V.M. regulations.

Art. 191
Requests for investment intents are allowed in order to assess the success of a future offer, in compliance with the conditions established by C.N.V.M.

Art. 192
C.N.V.M. shall issue regulations regarding cross-border public offers made in Member States by issuers with their registered office in Romania, or by non-residents in Romania, in accordance with the applicable Community legislation.

Section 3
The public purchase offer

Art. 193
(1) The public purchase offer represents the offer of a person to purchase securities, addressed to all their holders, circulated by mass media or communicated via other means, but providing that equal possibility to receive that information by the securities holders shall be ensured.

(2) The public purchase offer shall be made through an intermediary authorised to provide investment services.

(3) The price offered through the public purchase offer shall be established in accordance with C.N.V.M. regulations.

Art. 194
(1) C.N.V.M. shall decide on the approval of the offer document within 10 working days from the registration of the request.

(2) Any request for supplementary information or for the modification of the information originally provided in the offer document, by C.N.V.M. or by the offeror, shall interrupt this term, which shall start again from the date when the said information or modification are provided.

Art. 195
(1) The public purchase offer shall be made in compliance with conditions meant to ensure a fair treatment for all investors.

(2) The minimum content of the information that the offer document shall include shall be established by C.N.V.M regulations.

Section 4
Voluntary takeover bid

Art. 196
(1) The voluntary takeover bid is a public purchase offer addressed to all shareholders, for all their holdings, launched by a person who does not have this obligation, in order to acquire more than 33% of the voting rights.

(2) The person who intends to make a voluntary takeover bid shall send to C.N.V.M. the preliminary announcement, for the approval. The minimum content of information that

must be included in the preliminary announcement shall be established by C.N.V.M. regulations.

(3) Following the C.N.V.M. approval, the preliminary announcement shall be sent to the company, subject of the takeover, to the regulated market where the securities are listed and shall be published in at least one central daily newspaper and in one local daily newspaper within the administrative area of the issuer.

Art 197
(1) The Board of the company, subject to the takeover, shall send toC.N.V.M., the offeror and the regulated market where the securities are listed, its position regarding the appropriateness of the takeover, within 5 days from receiving the preliminary offer announcement.

(2) The Board may convene the extraordinary general shareholders meeting in order to inform the shareholders on the position of the Board as regards the bid. If the convocation notice is drawn up by a significant shareholder, the convocation of the general meeting is obligatory and the convocation notice shall be published within maximum 5 days from the registration of the application. By way of derogation from the provisions of Law no. 31/1990, the general meeting shall be held within 5 days from the publication of the convocation notice in a national newspaper.

(3) From the moment when the preliminary announcement is received and until the closing of the offer, the Board of the company, subject to the takeover, shall inform C.N.V.M. and the regulated market of all the operations carried out by the Board members and of the executive management as regards the securities involved.

Art. 198
(1) The Board of the company, subject to the takeover, may not conclude any document and may not take any measure which may affect its asset position or the objectives of the takeover, except for the current management activities, from the moment when the preliminary announcement is received.

(2) For the purposes of this section, the operations which are considered to affect the company's assets are, without being limited to, the share capital increases or securities issues which grant subscription rights or convertibility into shares, the commitment or the transfer of certain assets accounting for at least one third of the net assets according to the latest annual balance sheet of the company.

(3) By way of derogation from the provisions laid down in paragraph (1) those operations derived from obligations undertaken before the publication of the takeover announcement may be carried out, as well as those operations specifically approved by the extraordinary general shareholders meeting especially convened subsequent to the preliminary announcement.

(4) The offeror shall be held responsible for all the damages caused to the company, subject to the takeover bid, if it is proved that the bid has been launched exclusively to the purpose of preventing the company from taking one of the measures referred to in paragraph (2) or from carrying out those operations specifically approved by the extraordinary general meeting, convened prior to the announcement.

Art. 199
(1) The publication of the preliminary announcement binds the offeror to submit to C.N.V.M., within maximum 30 days, the documentation underlying the takeover bid, including terms at least as favourable as the ones provided by the preliminary offer.

(2) C.N.V.M. shall decide on the approval of the offer document within the term laid down in art.194.

(3) The prices offered within voluntary takeover bids shall be established in accordance with C.N.V.M. regulations.

Art. 200
The offeror or the persons acting in concert with may not launch, within one year from the closing of the prior takeover bid, another takeover bid for the same issuer.

Section 5
Competitor public offers

Art. 201
(1) Any person may launch a counter offer underlying the same securities given the following conditions:

a) it addresses the same amount of securities and targets, at least, the same share capital holding;

b) it offers a price that is at least 5% higher than the first offer.

(2) The launch of the counter offer shall be carried out by submitting to C.N.V.M. the required documentation within maximum 10 working days from the date when the first offer was made available to the public.

(3) C.N.V.M. shall decide on these offers, in accordance with the provisions laid down in art. 194 paragraph (1).

(4) Through the decision to authorise the counter offers, C.N.V.M. shall establish once the same closing term for all the offers, as well as a deadline for the submission for approval of the supplements regarding price increases within competitor offers.

(5) The single term for closing competitor offers may not be longer than 60 working days from the date when the first offer has been made.

Section 6
Mandatory takeover bids

Art. 202
The provisions of this section shall be applied to the undertakings whose shares are admitted to trading on a regulated market.

Art. 203
(1) A person who, as a result of his purchase or those of the persons acting in concert with, holds more than 33% of the voting rights in an undertaking must launch a public offer addressed to all securities holders for all their holdings as soon as possible, but no later than 2 months from reaching this holding position.

(2) Until the public offer referred to in paragraph (1) is made, all the rights underlying the securities which exceed 33% of the voting rights against the issuer, are suspended, and the said shareholder and the persons acting in concert with may no longer purchase, by other operations, the shares of the same issuer.

(3) The provisions laid down in paragraph (1) shall not apply to the persons who, prior to this law's entry into force, have purchased over 33% of the voting rights, in compliance with the legal provisions applicable at the time of the acquisition.

(4) The persons referred to in paragraph (3) shall make an mandatory takeover bid in accordance with the provisions laid down in paragraph (1), only if subsequent to this law's entry into force, they increase their holdings, so that they reach or exceed 50% of the voting rights of the issuer. Until the public bid is made, the rights underlying the shares purchased, which exceed 50% of the total holding, shall be suspended, and the said shareholder and the persons with whom he acts jointly may not purchase, by other operations, the shares of the same issuer.

Art. 204
(1) The price offered shall be at least equal to the highest price paid by the offeror or by the persons with whom he acts jointly within the 12 months prior to the offer.

(2) If the provision laid down in paragraph (1) cannot be applied, the price offered shall be determined in accordance with C.N.V.M. provisions, at least taking into account the following criteria:

a) the weighted average trading price underlying the last 12 months prior to the offer being made;

b) the value of the company's net assets according to the latest audited financial statements;

c) the value of the shares, as resulted by an expertise, made by an independent auditor, in accordance with the international valuation standards

Art. 205

(1) The provisions laid down in art. 203 shall not be applied when the holding position accounting for more than 33% of the voting rights against the issuer has been obtained as a result of an excepted transaction.

(2) To the purposes of this law, *an excepted transaction* represents the acquisition of this position:

a) within the privatisation process;

b) by share acquisition from the Ministry of Public Finance or from other entities legally enabled within the budget claims collection procedures;

c) following the transfer of shares between the parent undertaking and its subsidiaries or between the subsidiaries of the same parent undertaking;

d) following a voluntary takeover public bid addressed to all the holders of those securities and for all their holdings.

(3) If the acquisition of the holding position accounting for more than 33% of the voting rights against the issuer is made unintentionally, the holder of such a holding position has one of the following alternative obligations:

a) to make a public offer according to the conditions and prices laid down in art. 203 and 204;

b) to sell a number of shares corresponding to the loss of the position acquired without intention.

(4) The fulfilment of one of the obligations referred to in paragraph (3) shall be carried out within 3 months from the acquisitions of that holding position.

(5) The acquisition of the holding position accounting for more than 33% of the voting rights against the issuer, is considered unintentional, if it has been carried out as a result of certain operations such as:

a) the reduction of capital through redemption by the company of its own shares, followed by their annulment;

b) exceeding the threshold as a result of exercising pre-emptive rights or the subscription or conversion of the rights originally allotted, as well as the conversion of preferred shares into common shares;

c) merger/spin-off or succession.

Section 7
The obligatory withdrawal of shareholders from an undertaking

Art. 206
(1) Following the public purchase offer addressed to all shareholders for all their holdings, the offeror has the right to require the shareholders which have not subscribed to the offer to sell to him the said shares at a reasonable price, if he is in one of the following situations:

a) he holds shares accounting for more than 95% of the share capital;
b) he has acquired within the public purchase offer addressed to all shareholders and for all their holdings, shares accounting for more than 90% of those targeted by the offer.

(2) If a company has issued more classes of shares, the provisions laid down in paragraph (1) shall be applied separately for each class.

(3) The price offered within a mandatory takeover bid, as well as within a voluntary takeover bid, where the offeror has acquired by subscriptions within the offer, shares accounting for more than 90% of the shares targeted, is considered to be a fair price.

(4) In the situation referred to in paragraph (3), the presumption referring to the fair price is applicable only in the situation when the offeror has exercised his right referred to in paragraph (1) within 3 months from the closing of the said offer. If not, the price shall be determined by an independent expert in accordance with international valuation standards.

(5) The price established by an independent expert is made available to the public through the market where is traded, by publishing it in the C.N.V.M. Bulletin, on C.N.V.M. website and in two national daily newspapers, within 5 days from the drawing up of the report.

Art. 207
(1) Following the public purchase offer addressed to all holders and for all their holdings, a minority shareholder has the right to require the offeror which holds more than 95% of the share capital to buy its shares at a fair price.

(2) If the company has issued more classes of shares, the provisions laid down in paragraph (1) shall be applied separately for each class.

(3) The price shall be determined in accordance with the provisions laid down in art. 206 paragraph (3). If the appointment of an independent expert is required, the costs shall be covered by the said minority shareholder.

Art. 208
C.N.V.M. shall issue regulations for the enforcement of the provisions of this law.

TITLE VI – ISSUERS

Chapter I – General provisions

Art. 209
Securities issuers shall ensure a fair treatment for all securities holders of the same type and class of securities and shall make available to them all the necessary information so that they may exercise their rights.

Art. 210
(1) The abusive use of the position held by a shareholder or of the administrator or employee position within the company by means of disloyal and illegal acts which are meant to damage the rights underlying securities and other financial instruments held, as well as to harm their holders are prohibited.

(2) Securities holders must exercise their rights in good faith, in compliance with the legitimate rights and interests of the other shareholders and in the priority interest of the undertaking, or otherwise, shall be liable for the damages caused.

Chapter II
The prospectus for admission to trading on a regulated market

Art. 211
(1) Admission to trading on a regulated market of certain securities shall be carried out after the publication of a prospectus approved by C.N.V.M.

(2) C.N.V.M. shall issue regulations regarding:
a) the content of the prospectus;
b) the exceptions from the obligation to publish a prospectus or the insertion of certain information within it.
c) admission to trading on a regulated market in Romania of certain securities issued by non-residents in accordance with the applicable Community legislation.

(3) The provisions of Title V, chapter I Sections 1 and 2 shall be also applied to the prospectus drawn up for admission to trading on a regulated market.

Art. 212
The securities of an issuer shall not be admitted to trading on a regulated market if following the assessment of the issuer's situation, the investors' interests are considered to be harmed.

Chapter III
Specific conditions for admission to trading on a regulated market

Section 1
Conditions regarding the issuer

Art. 213
(1) For the admission to trading on a regulated market of the shares of an undertaking, the company must meet the following conditions:

a) the company must be established and carry out its activity in accordance with the legal provisions in force;

b) the company must have a foreseeable capitalisation of at least the ROL equivalent of one million euro or, to the extent to which its capitalisation cannot be anticipated, the company's capital and reserves, including profit or loss from the last financial year, must be at least the ROL equivalent of one million euro, calculated according to the reference rate announced by the National Bank of Romania on the date of the application for admission to trading on a regulated market;

c) the company must have functioned within the last 3 years prior to its request for admission for trading on a regulated market and must have drawn up and communicated its financial statements for the said period in accordance with the legal provisions.

(2) The condition set out in paragraph (1) subparagraph b) shall not be applicable for the admission to trading on a regulated marketof a further block of shares of the same class as those already admitted.

Art. 214
C.N.V.M. may grant admission to trading on a regulated market for undertakings even if the conditions set out in art. 213 paragraph (1) subparagraph c) are not fulfilled, provided that:

a) there will be an adequate market for the shares concerned**;**
b) the issuer shall be able to comply with the continuous and periodical information requirements which derive from the admission to trading on a regulated market

and investors have the necessary information available to arrive at an informed judgement on the company and the shares for which admission to trading on a regulated market is sought.

Section 2
Conditions regarding shares

Art. 215
The shares subject to admission to trading on a regulated market must be freely negotiable and fully paid for.

Art. 216
Where public issue precedes to admission to trading on a regulated market, the first admission may be made only after the end of the period of subscription.

Art. 217
(1) A sufficient number of shares must be distributed to the public if a company's shares are to be admitted to trading on a regulated market.

(2) A sufficient number of shares shall be deemed to have been distributed to the public in the following situations:

a) the shares in respect of which application for admission has been made are in the hands of the public to the extent of at least 25% from the subscribed capital represented by this category of shares;

b) the market shall operate appropriately with a lower percentage of shares than that laid down in subparagraph a) due to the large number of shares outstanding and to their allotment among the public.

(3) The condition set out in paragraph (1) shall not apply where shares are distributed to the public through the transactions carried out on that regulated market. In this event, admission to trading on a regulated market may be granted by C.N.V.M., if the latter is satisfied that a sufficient number of shares shall be distributed to the public through that regulated market, within a short period of time.

Art. 218
Where admission to trading on a regulated market is sought for a further block of shares of the same class, as those already admitted to trading on a regulated market, C.N.V.M. may assess whether a sufficient number of shares has been distributed to the public in relation to all the shares issued and not only in relation to this further block.

Art. 219
The application for admission to trading on a regulated market must cover all the shares of the same class as those already issued.

Chapter IV

Specific conditions for admission to trading on a regulated market of the debt securities issued by undertakings, public authorities and public international bodies

Art. 220
(1) The issuer must be established and carry out its activity in accordance with the legal provisions in force if the debt securities issued by undertakings, public authorities and public international bodies are to be admitted to trading on a regulated market.

(2) The debt securities subject to admission to trading on a regulated market must be freely negotiable and fully paid for.

(3) Where public issue precedes admission to trading on a regulated market, the first admission may be made only after the end of the period during which subscription applications may be submitted.

(4) The provisions set out in paragraph (3) shall not apply in the case of tap issues of debt securities when the closing date for subscription is not fixed.

Art. 221
Application for admission to trading on a regulated market must cover all debt securities ranking pari passu.

Art. 222
(1) The amount of the loan may not be less than the ROL equivalent of 200,000 EURO. This provision shall not be applicable in the case of tap issues where the amount of the loan is not fixed.

(2) C.N.V.M. may grant admission to trading on a regulated market even when the condition set out in paragraph (1) is not fulfilled, when it is satisfied that there will be a sufficient market for the debt securities concerned.

Art. 223
(1) Convertible debentures may be admitted to trading on a regulated market only if the related shares are already admitted on the same regulated market.

(2) By way of derogation, convertible debentures may be admitted to trading on a regulated market without complying with the condition set out in paragraph (1), if C.N.V.M. considers that the investors have at their disposal all the information necessary

to form an opinion concerning the value of the shares to which these debt securities relate.

Chapter V
Issuers transparency

Section 1
Obligations of undertakings whose shares are admitted to official listing

Art. 224
(1) The undertakings admitted to trading on a regulated market must register themselves with C.N.V.M. and comply with the reporting requirements established by C.N.V.M. regulations and by the regulated markets where the securities issued by them are admitted.

(2) The undertaking shall ensure equal treatment for all shareholders who hold the same position.

(3) The undertaking must ensure all the necessary facilities and information to enable shareholders to exercise their rights and, in particular, it must:

a) inform shareholders with respect to the holding of general meetings and enable them to exercise their voting rights;

b) inform the public with respect to the allocation and payment of dividends, the issue of new shares, including allotment, subscription, renunciation and conversion arrangements;

c) designate as its agent a financial institution through which shareholders may exercise their financial rights, unless the issuer itself provides financial services.

(4) A company planning an amendment to its instruments of incorporation must communicate a draft to C.N.V.M. and to the regulated market until the date of the convocation of the general meeting which shall decide upon the amendment.

(5) The undertaking must inform the public without delay, in maximum 48 hours, of any major new developments in its sphere of activity which are not public knowledge, and which may, by virtue of their effect on its assets and liabilities or financial position or on the general course of its business, lead to substantial movements in the prices of its shares.

(6) C.N.V.M. may require the undertaking admitted to trading on a regulated market to provide all information which considers necessary in order to protect investors and to ensure the smooth functioning of the market.

(7) C.N.V.M. may require an issuer to publish the information referred to in paragraph (6) in such a form and within such time limits, as it considers appropriate. Should the

issuer fail to comply with such requirements, C.N.V.M. may itself publish such information after having heard the issuer.

(8) An issuer whose shares are admitted to trading on a regulated market in Romania or in one or more regulated markets within Member States must ensure that equivalent information is made available to each of these markets.

Art. 225
(1) The administrators of undertakings admitted to trading on a regulated market must report as soon as possible any legal document concluded by the undertaking with the administrators, employees and significant shareholders, as well as with the persons related to them, whose cumulated value account for at least the ROL equivalent of 50,000 euro.

(2) If the undertaking concludes legal documents with the persons referred to in paragraph (1), their interests shall be considered in relation with the other similar offers on the market.

(3) The reports referred to in paragraph (1) shall include, in a special chapter, the legal documents concluded or their amendments and shall refer to the following elements: the parties which concluded the legal document, the date and the nature of the document, the total value of the legal document, mutual claims, guarantees set up, payment terms and methods.

(4) The reports shall include any other information required to determine the effects of these legal documents on the undertaking's financial situation.

Art. 226
(1) Any issuer must inform the public and C.N.V.M., as soon as possible of the inside information which directly concerns the said issuer.

(2) C.N.V.M. shall issue regulations regarding the means used to inform the public in accordance with the Community legislation.

(3) An issuer may, on its own account, delay to make available to the public the inside information referred to in paragraph (1), so as not to harm its own interests provided that this delay should not mislead the public, and the issuer may ensure the confidentiality of such information.

(4) The issuer shall inform C.N.V.M. a soon as possible of its decision to delay the disclosure to the public of such information. C.N.V.M. may force the issuer to disclose the information in order to ensure the transparency and the integrity of the market.

(5) If an issuer, or a person who acts on behalf of and for the account of the issuer, discloses any inside information to a third party during its normal course of business, as

referred to in art. 246 subparagraph a), it must make that information public, simultaneously in the case of an intentional disclosure and promptly in the case of an unintentional disclosure.

(6) The provisions laid down in paragraph (5) shall not be applied if the person who received the information must keep it confidential, no matter if this is required by law, by regulations, instruments of incorporation or a contract.

(7) The issuers or the persons who act on their behalf or for their account, must draw up a list of persons working for them, based on an employment contract or otherwise, and who have access to inside information. The issuers, as well as the persons who act on their behalf or for their account, shall regularly update this list and send it to C.N.V.M. whenever the latter requests it.

(8) The provisions of paragraphs (1) – (7) shall not apply to issuers who have not requested or approved admission of their financial instruments to trading on a regulated market in Romania or in a Member State.

Art. 227

(1) The undertakings admitted to trading on a regulated market shall drawn up, make available to the public and send to C.N.V.M. and the market operator, quarter, half-year and annual reports. The reports shall be made available to the public in writing or in any other form approved by C.N.V.M. The undertaking shall issue a press release in a national daily newspaper through which investors shall be informed of the availability of these reports. The reports will be sent for publication within maximum 5 days from the date of their approval.

(2) The reporting shall include any significant information so that investors may make an informed assessment of the activity of the company, of its profit and loss, and in such a way so that to show any special factor that has influenced these activities. The financial situation shall be presented in comparison with the financial situation of the same period of the previous financial year. C.N.V.M. shall issue regulations regarding the content of these reports.

(3) If the company admitted to trading on a regulated market prepares both own annual and annual consolidated accounts, it must make them available to the public. C.N.V.M. may authorise the company only to make available to the public either the own or the consolidated accounts, provided that the accounts which are not made available to the public do not contain any significant additional information.

(4) The company admitted to trading on a regulated market must make available to the public, within maximum 4 months from the closing of the financial year, the annual financial statements together with the annual report, approved by the general meeting of shareholders. The annual report shall also include the report of the financial auditor appointed in accordance with the provisions laid down in art. 258, as well as all the latter’s comments.

(5) The half-year report must be made available to the public within maximum 2 months from the closing of the reporting period. If the half-year financial statements have been audited, the half-year report must include the financial auditor's report.

Art. 228
(1) Where, following the acquisition or sale of the securities issued by a company admitted to trading on a regulated market, the proportion of voting rights held by a person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 20%, 33%, 50%, 75% or 90% of the total voting rights, that person must notify, within maximum 3 working days from acknowledging this operation, the company and at the same time C.N.V.M and the regulated market where the said securities are admitted.

(2) When the thresholds referred to in paragraph (1) are reached or exceeded by the subsidiary of a parent undertaking, this entity shall be excepted from the obligation to inform, if the information has been made public by the parent undertaking.

(3) The company admitted to trading on a regulated market which has received information in accordance with the provisions laid down in paragraph (1) must make available to the public that operation within maximum 3 working days.

(4) C.N.V.M. shall issue regulations regarding the way in which voting rights shall be determined in order to apply the provisions laid down in paragraph (1).

Section 2
Obligations of companies whose debt securities are admitted to trading on a regulated market

Art. 229
(1) The undertaking must ensure an equal treatment to all the holders of debt securities ranking pari passu in respect of all the rights attaching to those debt securities. An issuer, whose debt securities are admitted to trading on a regulated market in Romania or in one or more regulated markets within Member States, must provide equivalent information to all the markets.

(2) The undertaking must ensure all the facilities and information necessary to enable holders to exercise their rights, in particular:

a) to publish notices concerning the meetings of holders of debt securities, the payment of interest, the exercise of any conversion, exchange, subscription or renunciation rights and repayment;

b) to designate as paying agent a financial institution through which holders of debt securities may exercise their financial rights, unless the issuer itself provides financial services.

Art. 230
An undertaking planning an amendment to its instrument of incorporation, affecting the rights of holders of debt securities, must forward a draft thereof to C.N.V.M. and to the regulated market, until the date when the general shareholders meeting is convened and which shall express its opiniondecides upon the amendment.

Art. 231
(1) An undertaking admitted to trading on a regulated market must make available to the public, within maximum 4 months from the closing of the financial year, the audited annual financial statements together with the annual report.

(2) If the undertaking admitted to trading on a regulated market prepares both annual own and consolidated accounts, it must make them available to the public. C.N.V.M. may authorise the undertaking only to make available to the public either the own accounts or the consolidated accounts, provided that the accounts which are not made available do not contain any significant additional information.

Art. 232
(1) The undertaking must inform the public as soon as possible of the following:

a) any major new developments in its sphere of activity which are not public knowledge and which may significantly affect its ability to meet its commitments. C.N.V.M. may, however, exempt the undertaking from this obligation at request if the disclosure of particular information would be such as to prejudice the legitimate interests of the undertaking;

b) any new issues of debt securities and the guarantees set up in this respect;

c) any change in the rights of the holders of debt securities resulted especially from the change in the terms or the interest rate of the debt securities;

d) the change of the rights underlying the shares when the securities are convertible into shares.

Section 3

Obligations of the public authorities and public international bodies which issue debt securities

Art. 233
(1) The local and central public administration bodies as well as public international bodies must ensure an equal treatment to all the investors in respect of the rights attaching to these debts securities. An issuer, whose debt securities are admitted to trading on a

regulated market in Romania or in one or more regulated markets within Member States, must provide equivalent information to all the markets.

(2) The local and central public administration bodies as well as international bodies must ensure all the conditions and information to enable holders of debt securities to exercise their rights. These authorities must:

a) publish information concerning the general meetings of holders of debt securities, the payment of interest and redemption;
b) designate a paying agent through which holders of debt securities may exercise their financial rights.

Chapter VI
Special provisions regarding companies admitted to trading on a regulated market

Art. 234
For securities admitted to trading on a regulated market, C.N.V.M. may:

a) require the issuer to provide all the information which may have an effect on the valuation of the securities in order to ensure investors ' protection and maintain a smooth market;
b) suspend or require the market operator to suspend the securities from trading if it considers that the issuer's situation is such that trading would be to the disadvantage of the investors;
c) take all necessary measures to ensure that the public is correctly informed;
d) decide that the securities admitted to trading on a regulated market shall be withdrawn from trading provided that, due to special circumstances, a smooth market may not be maintained for the securities involved.

Art. 235
(1) Members of the Board of the company admitted to trading on a regulated market may be appointed by cumulative vote. At the request of a significant shareholder, appointment by this method shall be obligatorily made.
(2) The administration of a company where the cumulative vote method will be applied will be performed by a Board with at least 5 members.

(3) The regulations regarding the application of the cumulative vote method shall be established by C.N.V.M.

Art. 236
(1) Any increase in the share capital shall be decided by the extraordinary general meeting of the shareholders

(2) The instruments of incorporation or the general meeting of shareholders may authorize the increase in share capital up to a maximum level. Within the limits of the level indicated, administrators may decide, following the delegation of attributions, the increase in share capital. This competence is given to the administrators for a maximum one year period and it may be renewed by the general meeting for a period which, for each renewal, may not exceed one year.

(3) The decisions taken by the Board of a company admitted to trading on a regulated market, by exercising the powers delegated by the extraordinary general shareholders meeting, shall be treated in the same way with the decisions of the general shareholders meeting as regards their being made available to the public and the possibility to dispute them in court.
(4) The fees applied to the shareholders requesting copies of the documents issued for the enforcement of paragraph (3) shall not exceed the cost related to their multiplication.

Art. 237
(1) The financial statements, including the consolidated ones, of the companies admitted to trading shall be drawn up in compliance with applicable accounting standards and audited by financial auditors, in accordance with the rules and regulations regarding the financial auditing.

(2) The legal representatives of the companies are bound to make available for C.N.V.M., the companies' auditors and / or experts designated by the court, the necessary documents for exercising their attributions.

(3) The Administrator, director and / or executive director are bound to present to the shareholders financial documents of a precise nature and realistic information regarding the economic condition of the company.

Art. 238
(1) By way of derogation from the provisions laid down in the Law no. 31/1990, the identification of the shareholders which shall benefit of dividends or other rights and which are subject to the effects of the decisions taken by the general shareholders meeting, shall be established by the company. The established date shall be subsequent to the date of the general shareholders meeting by at least 10 working days.

(2) Once dividends are established, the general shareholders meeting shall also establish the term within which these shall be paid to the shareholders. This term shall not exceed 6 months from the date of the general shareholders meeting when dividends are established.

(3) If the general shareholders meeting does not establish the date when dividends are paid, in accordance with the provisions laid down in paragraph (2), these shall be paid within maximum 60 days from the date when the decision of the general shareholders meeting to establish dividends has been published in the Official Gazette of Romania, Part IV, date starting from which the company has no right to any delay.

Art. 239
The decision of the general meeting to establish dividends shall be submitted within 15 days to the Trade Register Office for registration and published in the Official Gazette of Romania, Part IV. The decision shall be issued as a writ of execution based on which the shareholders may start the enforcement procedures upon the company, in accordance with the provisions laid down by the law.

Art. 240
(1) If the share capital is increased by raising funds, the annulment of the pre-emptive rights of the shareholders to subscribe to the new share issues must be decided within the extraordinary general shareholders meeting where at least ¾ of the number of share capital holders must attend and the vote of shareholders must account for at least 75% of the voting rights.

(2) Share capital increase by contribution in kind must be approved by the extraordinary general shareholders meeting, where at least three fourths of the share capital holders must attend and the vote of the shareholders must account for at least 75% of the voting rights. The contributions in kind may consist only in performant assets necessary for achieving the issuer object of activity.

(3) The valuation of the contribution in kind shall be made by independent experts according to the provisions laid down in art. 210 of the Law no. 31/1990.

(4) The number of shares allotted as a result of the contribution in kind shall be determined as a ratio between the value of the contribution established in accordance with the provisions laid down in paragraph (3) and the highest value of the market price of a share, the price/share calculated based on the net asset book value or the face value of the share.

(5) If pre-emptive rights are annulled in accordance with the provisions laid down in paragraph (1), the number of shares shall be established according to the criterion referred to in paragraph (4).

(6) C.N.V.M. shall issue regulations on the application of this article.

Art. 241
(1) Any acts of acquisition, sale, exchange or setting up of guarantees involving certain assets which belong to the class of immovable assets, whose value exceed, either individually or cumulated, during a financial year, 20% of the total immovable assets, less any claims, shall be drawn up by the company's administrators or directors only following prior approval by the extraordinary general shareholders meeting.

(2) Any leasing for a period of time longer than one year, involving tangible assets, whose individual or cumulative value against the same co-contractor or persons involved or acting in concert, exceeds 20% of the total value of tangible assets less any claims on the date when the legal document has been concluded, as well as any associations for a

period of time longer than one year which exceed the same value must be previously approved by the extraordinary general shareholders meeting.

(3) If the provisions laid down in paragraph (1) and (2) are not complied with, any of the shareholders may require the court to annul the legal document concluded and to sue the administrators to compensate for the damages caused to the company

Art. 242
The shareholders of a company admitted to trading on a regulated market, who do not agree with the decisions taken by the general meeting as regards mergers and spin-offs, which involve the allotment of shares that are not admitted to trading on a regulated market, have the right to withdraw from the company and to obtain from the latter the counter-value of the shares in accordance with the provisions laid down in art. 133 of the Law no. 31/1990.

Art. 243
(1) The access of the shareholders entitled to attend, on the reference date, the general shareholders meeting, is allowed by simply proving their identity, by means, in the case of natural persons, of the identity document, or, in the case of legal persons and mandated natural persons, by the proxy issued to the natural person who is mandated to represent them.

(2) The breaching of the access of a shareholder that respects the legal conditions for participating to the general shareholders meeting, gives the right to any interested person to require in justice the annulment of the decision of the general shareholders meeting.

(3) The representatives of the shareholders to the general shareholders meeting may be other persons than the shareholders, with the exception of administrators, based on a special mandate, in compliance with the C.N.V.M. regulations.

(4) The convocation of the general meeting, at the request of the company's significant shareholders, shall be obligatorily made by the administrators, by including on the agenda all the topics specified in the request.

(5) Within minimum 5 days before the general shareholders meeting, the company will make available for the shareholders, on its own web site or at its headquarters, the documents or information regarding the topics included on the agenda.

(6) The administrators are obliged to call for the general shareholders meeting so this may be held, at the first or second convocation, with at most one month from the date of the request.

TITLE VII

MARKET ABUSE

Art. 244.
(1) *„Inside information"* shall mean information of a precise nature, which has not been made public, relating, directly, or indirectly, to one or more issuers of financial instruments, or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

(2) In relation to derivatives on commodities „inside information" shall mean information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more such derivatives and which users of markets on which such derivatives are traded would expect to receive in accordance with accepted market practices on those markets.

(3) *„Accepted market practices"* shall mean practices that are reasonably expected in one or more financial markets and are accepted by C.N.V.M. in accordance with Community procedures.

(4) For persons charged with the execution of orders concerning financial instruments, „inside information" shall also mean information conveyed by a client and related to a client's pending orders, which is of a precise nature, which relates directly or indirectly to one or more issuers of financial instruments or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

(5) *Market manipulation* shall mean:

a) transactions or orders to trade:

1. which give, or are likely to give, false or misleading signals as to the supply of, demand for or price of financial instruments;

2. which secure, by a person, or persons acting in collaboration, the price of one or several financial instruments at an abnormal or artificial level;

b) transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance;

c) dissemination of information through the media, including the Internet, or by any other means, which gives, or is likely to give, false or misleading signals as to financial instruments, including the dissemination of rumours and false or misleading news, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading. In respect of journalists when they act in their professional capacity, such dissemination of information is to be assessed taking into

account the rules governing their profession, unless those persons derive, directly or indirectly, an advantage or profits from the dissemination of the information in question.

(6) The persons who enter into the transactions or issued orders to trade and established that their reasons for so doing are legitimate and that these transactions or orders to trade conform to accepted market practices on the regulated market concerned, are exempt from the provisions laid down in paragraph (5) subparagraph. a).

(7) For the purposes of the provisions laid down in paragraph (5), the following instances are derived from the core definitions of market manipulation, but without being limited to them:

a) conduct by a person, or persons acting in collaboration, to secure a dominant position over the supply of or demand for a financial instrument which has the effect of fixing, directly, or indirectly, purchase or sale prices or creating other unfair trading conditions;

b) the buying or selling of financial instruments at the close of the market with the effect of misleading investors acting on the basis of closing prices;

c) taking advantage of occasional or regular access to the traditional or electronic media, by voicing an opinion about a financial instrument, or indirectly about its issuer, while having previously taken positions on that financial instrument and profiting subsequently from the impact of the opinions voiced on the price of that instrument, without having simultaneously disclosed that conflict of interest to the public in a proper and effective way.

Art. 245

(1) Any person who possesses inside information shall be prohibited from using that information by acquiring or disposing of, or by trying to acquire or dispose of, for his own account or for the account of a third party, directly or indirectly, financial instruments to which the information relates.

(2) The provisions laid down in paragraph (1) shall apply to any person who possesses inside information:

a) by virtue of his membership of the administrative, management or supervisory bodies of the issuer;
b) by virtue of his holding in the capital of the issuer;
c) by virtue of exercising his employment, profession or duties;
d) by virtue of his criminal activities.

(3) If the person referred to in paragraph (1) is a legal person, the interdiction shall also apply to the natural person who took part to the decision to carry out the transaction for the account of the legal person concerned.

(4) The provisions laid down in paragraph (1) - (3) shall not be applied to the transactions carried out where the person involved in such transactions was subject to a contractual obligation involving the acquiring or disposing of financial instruments, and where this contract had been concluded before that person possessed inside information.

Art. 246
No person subject to the interdiction referred to in art. 245 shall be allowed to:

a) disclose inside information to any other person, unless such disclosure is made in the normal course of the exercise of his employment, profession or duties;
b) recommend or induce another person, based on inside information, to acquire or dispose of financial instruments to which that information relates to.

Art. 247
The provisions laid down in art. 245 and 246 shall be applied to any other person who possesses inside information, while that person knows or ought to have known that it is inside information.

Art. 248
No natural or legal person shall be allowed to be involved in market manipulation activities.

Art. 249
Market operators shall adopt structural provisions aimed to prevent and detect market manipulation practices.

Art. 250
(1) Persons discharging managerial responsibilities within an issuer of financial instruments and, where applicable, persons closely associated with them, shall notify C.N.V.M. the existence of transactions conducted on their own account relating to shares of the said issuer, or to derivatives or other financial instruments linked to them.

(2) Persons who produce or disseminate research concerning financial instruments or issuers of financial instruments and persons who produce or disseminate other information recommending or suggesting investment strategy, intended for distribution channels or for the public, take reasonable care to ensure that such information is fairly presented. These persons shall disclose their interests or indicate conflicts of interest concerning the financial instruments to which that information relates.

(3) Any person professionally arranging transactions in financial instruments who reasonably suspects that a transaction might constitute insider dealing or market manipulation shall notify C.N.V.M. without delay.

(4) Public institutions disseminating statistics liable to have a significant effect on financial markets shall disseminate them in a fair and transparent way.

Art. 251
The interdictions referred to in this title shall not be applied to the transactions carried out in the context of monetary and foreign exchange policies or of policies related to public debt, conducted by the competent authorities in Romania, in the Member States, or by the European Central Bank or by the persons who act on behalf of these authorities.

Art. 252
The prohibitions provided for in this title shall not apply to trading in own shares in "buy-back" programmes or to the stabilisation of a financial instrument provided such trading is carried out in compliance with C.N.V.M. regulations.

Art. 253
(1) The provisions laid down in this title shall apply to any financial instrument admitted to trading on a regulated market in Romania or in a Member State, or for which a request for admission to trading on such a market has been made, irrespective of whether or not the transaction itself actually takes place on that regulated market.

(2) The provisions laid down in art. 245-247 shall also apply to any other financial instrument not admitted to trading on a regulated market in Romania or in a Member State, but whose value depends on a financial instrument which complies with the conditions referred to in paragraph (1).

(3) The prohibitions and the provisions laid down in this title shall be applied to:
a) operations carried out in Romania or abroad concerning financial instruments that are admitted to trading on a regulated market situated or operating in Romania or for which a request for admission to such market has been made;
b) operations carried out in Romania concerning financial instruments that are admitted to trading on a regulated market in Romania or in a Member State or for which a request for admission to such market has been made.

Art. 254
(1) C.N.V.M. is the only competent authority which shall ensure that the provisions adopted pursuant to this title are applied.

(2) C.N.V.M. shall be given all supervisory and investigation powers that are necessary for the exercise of its functions and it shall exercise such powers:

a) directly, as regards the powers referred to in art. 255 subparagraph a), c), d) and h);
b) in collaboration with other market undertakings as regards the powers referred to in art. 255 subparagraph f);
c) in collaboration with other authorities such as: The Parquet of the Supreme Court of Justice, the Trade Register Office and the Police as regards the powers referred to in art. 255 subparagraph b), e) and g).

(3) The provisions laid down in paragraph (1) and (2) shall be without prejudice to provisions on professional secrecy.

Art. 255
C.N.V.M. shall exercise its powers and shall include at least the right to:

a) have access to any document in any form whatsoever, and to receive a copy of it;
b) demand information from any person, including those who are successively involved in the transmission of orders or conduct of the operations concerned, as well as their principals. If necessary, C.N.V.M has the right to summon and hear any such person;
c) carry out site-inspections;
d) require existing telephone and existing data traffic records;
e) require the cessation of any practice that is contrary to the provisions laid down in this law;
f) suspend trading of the financial instruments concerned;
g) require the competent legal authorities to freeze the assets of the persons who are guilty of breaching the provisions laid down in this law;
h) request temporary prohibition of professional activity.

Art. 256
(1) C.N.V.M. may take appropriate administrative measures or may impose administrative sanctions against the persons responsible where the provisions laid down in this title and the provisions adopted for its implementation have not been complied with.

(2) C.N.V.M. shall issue instructions, in accordance with Community provisions, as regards the technical conditions for the application of the provisions laid down in art. 226 paragraph (1), (3), (4), (5) and (7) and in art. 250 paragraph (1) - (3).

Art. 257
C.N.V.M. shall impose sanctions against any natural or legal person, which does not co-operate in accordance with the provisions laid down in art. 254 paragraph (2) and art. 255.

TITLE VIII

FINANCIAL AUDIT

Art. 258
(1) Financial and accounting statements as well as those regarding the operations of any entity under the authorisation, supervision and control of C.N.V.M. according to the provisions laid down in this law shall be drawn up in compliance with the specific requirements established by the Ministry of Public Finance and by C.N.V.M. regulations and shall be audited by natural or legal persons, active persons, members of the Financial Auditors Chamber of Romania.

(2).The way this title will be applied will be established through a protocol between C.N.V.M. and the Chamber of Financial Auditors in Romania.

Art. 259
(1) A financial auditor:

a) draws up a financial audit report according to the audit standards issued by the Financial Auditors Chamber of Romania;
b) draws up, within 30 days, based on information submitted by administrators, additional reports according to financial audit standards, reporting conditions defined by the international accounting standards and to C.N.V.M. regulations regarding operations by the shareholders accounting for at least 5% of the total voting rights. Administrators are obliged to provide to the auditors all requested information. The additional report will be made public on the C.N.V.M. web site;
c) provides additional services in compliance with the independence principle.

(2) If the administrators and the auditors provided at paragraph (1) letter b) do not respond to the request within the indicated deadline or if the published report does not contain the information corresponding to the reporting conditions, shareholders may complain to the court whereby the company is situated, in order to appoint another financial auditor or expert for restarting the procedure of drawing up and presenting the additional report, following that the report will be submitted to the court and communicated to the parties, and the opinion of the auditor or expert will be published in the C.N.V.M. Bulletin.

Art. 260
(1) Financial auditors must report, without breaching the provisions of the Code for conduct of business rules and the Financial Audit Standards, within 10 days, any fact or

act regarding the activity of regulated entities which they have acknowledged during the exercise of their specific duties and which :

a) represents a significant breach of the legal regulations which establish the conditions for the authorisation and functioning of the audited regulated entities;

b) may affect the continuity in the activity of the audited regulated entities;

c) may lead to an incomplete audit opinion, to the impossibility to form an opinion or to a contrary opinion.

(2) Financial auditors must immediately report to C.N.V.M. any fact or act, as those referred to in paragraph (1), which they have acknowledged during the audit process with regard to an entity controlled by the audited entity as defined in art. 2 indent 16 subparagraph b).

(3) Financial auditors, at the C.N.V.M. written request, must:

a) submit to C.N.V.M. any report or document which has been acknowledged by the audited entity;
b) submit to C.N.V.M. a statement which shall indicate the reasons why the audit contract has ceased, irrespective of their nature;
c) submit to C.N.V.M. any report or document including the observations acknowledged by the management of the audited entity.

(4) The fulfilment in good faith by the financial auditor of the obligation to inform C.N.V.M. in accordance with the provisions laid down in paragraph (1) and (2) is not regarded as failure to comply with the obligation to keep professional secrecy according to the law/code of conduct or contractual clauses and may not incur the liability of the financial auditor involved.

Art. 261
C.N.V.M. has the obligation to insure confidentiality of the information received, according to the provisions of art. 260, except those which are not of a penal nature.

Art. 262
C.N.V.M. may require in written the financial auditors of the companies admitted to trading on a regulated market or of the companies which offer securities to the public or which seek admission to trading on a regulated market to provide all the necessary information.

Art. 263
In case of significant inaccuracies within the professional activity carried out by a financial auditor in relation with the entities subject to the authorisation, control and

supervision of C.N.V.M., the later will notify the Financial Auditors Chamber of Romania and will require the adoption of appropriate measures, in accordance with the legislation in force.

TITLE IX

TRUSTEE IN BANKRUPTCY AND WINDING UP

Chapter I
General provisions

Art. 264
(1) C.N.V.M. shall enforce trustee in bankruptcy procedures if it has acknowledged that an authorised entity is about to become insolvent or if any of this entity's administrators, executive directors or auditors are guilty of:

a) breaching the provisions of this law or the regulations issued by C.N.V.M., which has caused or may cause significant damages or which jeopardises the well functioning of the capital market;
b) breaching any condition or restriction laid down in the authorisation;
c) inadequate management of financial instruments and funds belonging to investors

(2) If it acknowledges major malfunctioning, C.N.V.M. may require the dissolution of the authorised entities' Boards.

Chapter II
Trustee in bankruptcy procedures applied to the entities authorised by C.N.V.M.

Art. 265
(1) Trustee in bankruptcy procedures shall be carried out by a specialised natural or legal person appointed by C.N.V.M.

(2) The decision regarding the enforcement of trustee in bankruptcy proceedings shall be published in the C.N.V.M. Bulletin and in two national daily newspapers.

Art. 266
(1) The trustee is fully entrusted with the powers of the Board of the authorised entity under trustee in bankruptcy proceedings.

(2) The trustee shall establish measures for the preservation of the assets and the collection of claims to the interest of the investors and of other creditors.

(3) The voting rights of the shareholders as regards the appointment and revocation of administrators, the rights to receive dividends, the activity of the Board and of the internal auditors as well as the right to receive payment for their activity are suspended during trustee in bankruptcy proceedings.

Art. 267
(1) Within maximum 60 days from his appointment, the trustee shall submit to C.N.V.M. a written report on the financial situation of the authorised entity and shall annex documents on the valuation of the entity's assets and liabilities, the situation of the claims collection, the cost of asset maintenance and the situation of debt liquidation.

(2) Within 15 days from receiving the report of the trustee, C.N.V.M. shall decide, if necessary, on the extension of the trustee's activity, for a limited period of time.

(3) If his activity is extended, the trustee shall submit to C.N.V.M. the assessment of the authorised entity's financial situation, on a monthly basis.

Art. 268
(1) If C.N.V.M. acknowledges, based on the report of the trustee, that the authorised entities have recovered from a financial point of view and meet prudential supervision requirements, according to C.N.V.M. regulations, the trustee in bankruptcy proceedings shall cease.

(2) The decision to cease trustee in bankruptcy proceedings shall be published in accordance with the provisions laid down in art. 265 paragraph (2).

Art. 269
(1) If the conditions referred to in art. 268 are not met, C.N.V.M. shall not decide on the extension of the trustee's activity and the authorisation of the regulated entity shall be withdrawn, while C.N.V.M. may either start the winding up procedures or inform the competent court in order to open the legal reorganisation and bankruptcy proceedings.
If the legal reorganisation and bankruptcy proceedings are opened, the conditions laid down in Law no. 64/1995 regarding the legal reorganisation and bankruptcy proceedings, republished in the Official Gazette no. 608/13.12.1999, with all subsequent modifications and completions, must not be met.

(2) The court competent to settle the request of C.N.V.M. regarding the opening of the legal reorganisation and bankruptcy proceedings against authorised entities is the Tribunal of the district where that entity has its registered office.

(3) The provisions of Government Ordinance no. 10/2004 regarding the legal reorganisation and bankruptcy proceedings of credit institutions, to the extent of their compatibility, shall also be applied to the authorised entities under trustee in bankruptcy proceedings and whose authorisation has been withdrawn by C.N.V.M. The phrase "debtor credit institutions" in the law mentioned above refers to "entities authorised by

C.N.V.M.", and the phrase regarding the "National Bank of Romania" refers to "C.N.V.M.".

(4) For the purposes of this chapter “insolvency” means the situation of the authorised entity in one of the following situations:

a. inability to pay due debts by using own funds;

b. withdrawal of the authorisation of regulated entity, in accordance with this law and C.N.V.M. regulations as a result of the inability of the authorised entity under special trustee in bankruptcy proceedings to recover financially.

(5) The appointment of the trustee by the tribunal shall be made with the agreement of C.N.V.M.

(6) In order to perform their duties which involve the application of certain regulations issued by C.N.V.M., the tribunal, the bailiff and the trustee may require the opinion of C.N.V.M. as authority in charge of regulating and supervising the capital market.

(7) The bankruptcy proceedings shall be closed when the bailiff has approved the final report, when all the funds or the assets of the authorised entity undergoing bankruptcy have been distributed and the funds which have not been claimed were deposited with the State Treasury. Following a request by the bailiff, the tribunal shall decide on the closing of the legal reorganisation and bankruptcy proceedings. The decision shall be communicated in writing and/or via the press in at least two national daily newspapers, to all the debtor’s creditors, to the Trade Register Office, to C.N.V.M. and to the trustee. The amounts left, if any, shall be paid in to the state budget after 5 years.

Chapter III
Winding up

Art 270
(1) If C.N.V.M. decides on the entity’s winding up, the proceedings shall be applied in accordance with the procedure established by the legislation applicable to the dissolution and winding up of companies and by C.N.V.M.

(2) The trustee for the entity’s winding up shall be appointed by C.N.V.M.

TITLE X

LIABILITIES AND SANCTIONS

Art. 271
The breach of the provisions of this law and of the regulations adopted in its application is sanctioned administratively, disciplinary, contraventionaly or penal, as the case may be.

Art. 272
The following deeds are considered offences:

a) breaching the provisions of this law or of the regulations issued by C.N.V.M. to the application of this law;
b) carrying out without an authorisation or by breaching any conditions or restrictions provided by the authorisation, of any activities or operations for which this law or C.N.V.M regulations require authorisation;
c) failing to comply with prudential rules and rules of conduct;
d) failing to comply with the measures established by control or following control;
e) failing to comply with the obligation to audit financial statements or their auditing by unauthorised persons.

Art. 273
(1) The offences referred to in art. 272 are sanctioned by:

a) warning;
b) fine;
c) complementary sanctions, applied as the case may be:

1. suspension of authorisation;
2. withdrawal of authorisation;
3. temporary prohibition from carrying our certain activities and services which are subject to this law.

(2) C.N.V.M. may make available to the public any measure or sanction imposed for the failure to comply with the provisions of this law and of the regulations adopted in its application, except for the situations when, by public disclosure, the normal functioning of the market might be jeopardised or significant damages might be caused to the parties involved.

Art. 274
(1) The offences referred to in art. 272 shall be acknowledged by natural persons, mandated to this purpose by C.N.V.M., who exercises powers regarding the supervision, investigation and control of compliance with the legal provisions and regulations relevant to the capital market.

(2) Upon receipt of the documents in proof by its agents, C.N.V.M. may decide the extension of investigations, the taking of preservation measures and/or the hearing of the persons under investigation, or the sanctioning of the controlled deeds.

Art. 275
(1) When customising the sanction, the personal and real circumstances of the deed and the conduct of the doer shall be taken into consideration.

(2) If an offence is committed by a person repeatedly within a period of three years, or if the offence is committed by a person who has been sanctioned during the past three years, and the sanction has not been annulled yet, the sanction established shall be applied cumulatively with the maximum fine for the last offence committed.

(3) If two or more offences are acknowledged, the highest penalty, increased by up to 50%, shall be applied, as the case may be.

Art. 276
The limits of the fines shall be established as follows:

a) between 0.5% and 5% of the paid-up share capital, according to the seriousness of the offence, for legal persons;

b) between ROL 5,000,000 and ROL 500,000,000, for natural persons, subject to updating by order of the President of C.N.V.M.

c) between half and the full amount of the transaction carried out by committing the deeds referred to in art. 245-248 of title VII.

Art. 277
(1) C.N.V.M. may apply sanctions to natural persons who, as administrators, legal representatives or de jure and de facto managers, or persons who carry out by means of their profession activities regulated by this law, may be held responsible for the offence because, although they could and should have prevented it, they did not.

(2) The natural persons referred to in paragraph (1) are also held liable for the damages caused by the offence. If more persons are liable for the deed, they are jointly held liable for the compensation of the damages caused.

Art. 278
(1) The term for the annulment of the application and execution of the sanction is 3 years.

Art. 279
(1) Committing intentionally the deeds referred to in art. 237, paragraph (3), art. 245-248, are considered crimes and are punished with imprisonment from 6 months to 5 years or with a fine within the limits set up in art. 276 subparagraph c) and with the additional

punishment of prohibition referred to in art. 273, paragraph (1), subparagraph c), indent 3.

(2) The intentional accessing by unauthorised persons of the electronic trading, clearing and settlement systems is considered a crime and is punished with imprisonment from 6 months to 5 years or with a fine within the limits referred to in art. 276 subparagraph c).

Art. 280
As regards the procedure to establish and acknowledge offences, as well as to apply sanctions, the provisions of this law are derogations from the provisions of Government Ordinance no. 2/2001 regarding the legal framework of offences, approved with amendments and completions by Law no. 180/2002 with all subsequent modifications and completions..

TITLE XI
TRANSITORY AND FINAL PROVISIONS

Art. 281
(1) C.N.V.M. shall establish, by regulations, the time period during which the regulated entity must meet the provisions of this law, period which shall not exceed 18 months from its entry into force.

(2) The authorisations issued to the regulated entities before this law enters into force shall remain valid. The regulated entities must, up to the term set out in paragraph (1), submit the modifications and/or completions to the documents on which authorisations have been granted in order to comply with the provisions of this law and to be registered with the C.N.V.M. Register.

Art. 282
(1) The applications for authorisation which are not compliant with the provisions of law must be withdrawn or completed within 30 days from this law's entry into force.

(2) Failure to comply with the provisions of paragraph (1) shall result in the rejection of the application.

Art. 283
(1) The acquisition or the increase of holding of the share capital of a regulated entity carried out by breaching the legal provisions and the regulations issued in the application of this law, and the underlying voting rights shall be rightfully suspended. These shares shall be taken into account when establishing the quorum required for the general shareholders meeting.

(2) C.N.V.M. shall require the said shareholders to sell, within 3 months, the shares underlying the holding to which C.N.V.M. has not approved. After this term expires, if

the shares have not been sold, C.N.V.M. shall require the regulated entity to annul those shares, to issue new shares bearing the same number and to sell them, the price of the sale being committed to the original holder after the expenses incurred by the sale have been deducted.

(3) The Board of the regulated entity shall be responsible for the implementation of the measures required to annul the shares, according to the provisions laid down in paragraph (2) and to sell the new share issue.

(4) If due to a lack of buyers, the sale no longer took place or if only a partial sale of the new share issue has been made, the regulated entity shall immediately proceed to the reduction of it share capital by the difference between the registered share capital and the share capital held by the shareholders with underlying voting rights.

Art. 284
(1) The setting up of the central depositary shall be carried out within the term set out in Art. 281, paragraph (1).

(2) The register undertakings must submit to the central depositary, the registers of the companies officially listed or within alternative trading systems. The terms and the submission procedure shall be established by regulations issued by C.N.V.M.

(3) By way of derogation from the provisions laid down in art. 124, 143, 146, and 157, until the expiry of the term set out in paragraph (1), the Bucharest Stock Exchange shall carry out clearing, settlement, depository and register activities, as well as any ancillary activities underlying securities and financial instruments, via its specialised departments, separated from the trading activity.

Art. 285
(1) By way of derogation from the provisions of title II chapter 1 and 3 of Law no. 31/1990 starting with the date of the general meeting of the Bucharest Stock Exchange Association which shall decide the transformation of the Bucharest Stock Exchange into a joint-stock company, the assets of the Bucharest Stock Exchange shall be become the assets *S.C. Bursa de Valori Bucureşti S.A*. (The Bucharest Stock Exchange)

(2) Until the date of the general meeting of the Bucharest Stock Exchange Association, referred to in paragraph (1), the Bucharest Stock Exchange shall proceed with the inventory and the re-valuation of its assets. Part of the re-valued assets shall be transformed into the share capital of S.C. Bursa de Valori Bucureşti S.A. and shall be equally divided among the members of the Bucharest Stock Exchange Association, registered on the date of the general meeting of the Bucharest Stock Exchange Association, referred to in paragraph (1).

(3) S.C. Bursa de Valori Bucureşti S.A. shall be the continuer and the successor to the rights and obligations of the Bucharest Stock Exchange, bearing the same name.

(4) On the date of the general meeting of the Bucharest Stock Exchange Association, referred to in paragraph (1), the committee of the Bucharest Stock Exchange becomes the Board of S.C. Bursa de Valori Bucureşti S.A., with the same members; the members of the Bucharest Stock Exchange committee shall become the members of the Board of S.C. Bursa de Valori Bucureşti S.A., until their mandate expires or until the next general shareholders meeting, if the validity of their mandate has expired.

(5) The committee of the Bucharest Stock Exchange shall appoint a person mandated to carry out the formalities of registering and licensing S.C. Bursa de Valori Bucureşti S.A., until the date of the general shareholders meeting of the Bucharest Stock Exchange Association, referred to in paragraph (1).

(6) On the date of the registration of S.C. Bursa de Valori Bucureşti S.A. with the Trade Register Office, the Bucharest Stock Exchange Association shall be rightfully dissolved.

Art. 286
(1) By way of derogation from Law no. 31/1990. as regards the S.I.F.s' shares issued in accordance with the provisions laid down in art. 4 of Law no. 133/1996, held by the initial holders, the exceeding of the limit established by the provisions of art. 103 of Law no. 31/1990 may be allowed only following the decision of S.A.I. or of the Board, with C.N.V.M. approval, and in accordance with its regulations.

(2) The shares acquired in accordance with the conditions set out in paragraph (1) may be used, following the decision of the board, with the approval of C.N.V.M., in order to reduce the share capital and to stabilise the quotations of its own shares on the capital market.

(3) By way of derogation from Law no. 31/1990, the modifications to the instruments of incorporation of S.I.F. for compliance with the provisions of this law, shall be registered with the Trade Register Office following the decision of the Board or of the S.A.I., as the case may be, subsequent to the granting of the authorisation previously issued by C.N.V.M.

(4) S.I.F. must comply with the provisions of this law within maximum 18 months from its entry into force.

(5) The independent registries have the obligation to give a series and a number to shares issued by S.I.F. within 30 days from the present law come into force.

(6) The Boards of the S.I.F.s have to convoke, according to the provisions of Law no. 31/1990 and of the paragraph (5) of this article, the extraordinary general meeting of shareholders, with the purpose of modifying the instruments of incorporation according to the provisions of this law, within 60 days from its entry into force.

Art. 287
The Monetary-Financial and Commodities Exchange Sibiu (S. C. Bursa Monetar-Financiară şi de Mărfuri Sibiu – S.A.), the Romanian Commodities Exchange (S.C. Bursa Română de Mărfuri S.A.), as well as the brokerage companies of the shareholders members of the two exchanges shall comply with the provisions of this law within maximum 18 month from its entry into force.

Art. 288
(1) The following provisions shall enter into force when Romania joins the European Union:
a) art. 37 - 43
b)art. 111, 112 and 113 paragraph (1)
c) art. 124 paragraph (4)
d) art. 192

(2) Until Romania joins the European Union, the entities with registered offices in Member States may carry out activities regulated by this law without any authorisation, based on reciprocity, in compliance with the cooperation agreements concluded by C.N.V.M. with the competent authorities in the home Member States. The supervision of these entities shall be performed according to the conditions provided in the respective agreements.

(3) CNVM shall inform the European Commission:

a) of the authorization of any company, which is a subsidiary of a parent undertaking, as referred to in article 2, paragraph (1), subparagraphs 6 and 27, governed by the law of a non-Member State, as well as the structure of the group, that the parent undertaking is a part in;
b) whenever the parent undertaking referred to paragraph a) acquires a holding in a company authorized by C.N.V.M., which would accordingly become the subsidiary of this parent undertaking;
c) of any general difficulties which the companies authorized by C.N.V.M. encounter with establishing themselves or providing investment services in any non-Member State.

(4) C.N.V.M. shall submit to the European Commission at its request, information regarding:
a) any application for the authorization of any company which is subsidiary of a parent undertaking, as referred to in art. 2, paragraph (1), subparagraphs 6 and 27, and governed by the law of a non-Member State;
b) any notification through which C.N.V.M. is informed, as referred to in art. 18, paragraph (2) and art. 61, that the parent undertaking referred to in subparagraph a) proposes to acquire a holding in a company authorized by C.N.V.M., so as the latter would become its subsidiary.

(5) The entities of non-Member States that carried out activities in Romania regulated by this law, shall not benefit from a more favorable treatment in comparison with those applied to the entities of the Member States.

Art. 289

(1) The annex of Government Emergency Ordinance 25/2002 for the approval of the Statute of the Romanian National Securities Commission, published in the Official Gazette of Romania, Part I, no. 226, from April 4, 2002, approved with amendments and completions by Law 514/2002 shall be modified and completed as follows:

1. Article 1, paragraph (3) shall have the following content:

"(3) On request, C.N.V.M. reports to the Commissions for budget, finance and banks of the Senate and Chamber of Deputies, to the Economic Commission of the Senate and to the Commission for economic policy, reform and privatization of the Chamber of Deputies, the activity carried out in compliance with the legal provisions regarding classified and inside information."

2. Article 6 shall have the following content:

"Art. 6 - (1) C.N.V.M. may participate in the activity of international organisations in the same field and may become a member of these organisations.
(2) C.N.V.M. shall cooperate with the competent authorities in Member States and based on reciprocity, with competent authorities in non Member States, whenever considered necessary in order to fulfil its obligations, employing the powers it has been invested with by law.
(3) C.N.V.M. shall grant assistance to the competent authorities in Member States, especially as regards the exchange of information and cooperation in investigation. This type of assistance includes without being limited to:
a) providing public or non public information about or related to a natural or legal person subject to the regulation, supervision or control of C.N.V.M.;
b) providing copies of the records kept by regulated entities;
c) collaborating with persons who hold information about the subject of an investigation.
(4) C.N.V.M. shall issue regulations regarding cooperation with competent authorities in Member States in accordance with the Community legislation in force."

3. In Article 7, after the paragraph (2), the paragraphs (2^1) and (2^2) with the following content shall be introduced:

(2^1) The obligation to comply with professional secrecy cannot be opposed to C.N.V.M. in its exercising the powers set out in the law.
(2^2) The information regarded as part of professional secrecy received by C.N.V.M. in its exercising its powers may be used only in the following situations:

a) for verifying compliance with the conditions required to grant authorisation to regulate entities, facilitating supervision on either consolidated or unconsolidated basis for the carrying out of its activities by the regulated entity, especially as

regards capital adequacy requirements, accounting and administrative procedures and internal control mechanisms;
b) for imposing sanctions;
c) within administrative complaints and claims filed against individual regulations issued by C.N.V.M."

4. In Article 7, paragraph (15) shall have the following content:

" (15) The regulations and instructions issued by C.N.V.M. are approved by order of the President of C.N.V.M. The approval order shall be published in the Official Gazette of Romania, Part I. The complete text of the regulations and instructions approved shall be published for reasons of opposability in the C.N.V.M. Newsletter."

5. In Article 11, paragraph (1) shall have the following content:

Art. 11 - (1) The members and the employees who are working or have worked with C.N.V.M, as well as the representatives and the employees of the entities to which C.N.V.M. has delegated one or more prerogatives, which it has been invested with by law, must comply, with respect to the information obtained during or as a result of exercising their duties and which have not been made public, with the legal framework applicable to professional secrecy. For the purposes of this law, delivery of information in accordance with the provisions laid down in art. 6 paragraph (2) and (3) shall not be considered a breach of this obligation."

6. In Article 13, after the paragraph (3), paragraphs (4) and (5) with the following content shall be included:

"(4) The quota set out in paragraph (2) subparagraphs a) and e) shall be also applied to alternative trading systems."
"(5) The quota set out in paragraph (2) subparagraph b) shall be also applied to other collective investment undertakings, other than O.P.C.V.M.s"

7. In Article 14, after the paragraph (3), paragraph (3^1) with the following content shall be included:

"**(3^1)** If necessary, the expenses incurred for the organisation and functioning of the National Securities Commission shall be financed, partially or completely from the state budget or from the special funds of the Government."

Art. 290
(1) This law enters into force within 30 days from the date of its publishing in the Official Gazette of Romania Part I.

(2) C.N.V.M. shall issue regulations for the enforcement of this law, within maximum 12 months from its entry into force.

(3) Until this law enters into force, the regulations issued by C.N.V.M. shall remain valid until the adoption of new regulations, except for contrary provisions.

(4) The legal provisions applicable on companies are applicable to entities regulated by this law to the extent to which they are not contrary to it.

Art. 291
(1) On the date when this law enters into force, the following shall be repealed:

a) Government Emergency Ordinance 26/2002 regarding collective investment undertakings in securities published in the Official Gazette no. 229 of 5 April 2002 modified and approved by Law 513/2002;
b) Government Emergency Ordinance 27/2002 regarding commodities and derivative financial instruments regulated markets published in the Official Gazette no. 232 of 8 April 2002 modified ad approved by Law 512/2002;
c) Government Emergency Ordinance 28/2002 regarding securities investment services and regulated markets, published in the Official Gazette Part I no. 238 of 9 April 2002 modified and approved by Law 525/2002;
d) Art. 2, paragraph (4) and Art 7 from Law no. 133/1996 regarding the transformation of Private Property Funds into investment companies published in the Official Gazette no. 273 of 1 November 1996 and Art. 4 paragraph (3) from Government Emergency Ordinance 54/1998 for finalizing the mass privatization process, published in the Official Gazette of Romania, Part I no. 503 of 28 December 1998 modified and approved by Law 164/1999;
e) Government Ordinance no. 20/1998 regarding the establishment and functioning of venture capital funds, published in the Official Gazette no. 41 of 30 January 1998;
f) Art. 162, paragraph (1) from Law 31/1990 on companies, republished in the Official Gazette of Romania, Part 1, no. 33 from 29 January 1998 with the subsequent amendments and completions.
g) Government Ordinance no. 24/1993 regarding the regulation of the establishment and functioning of the open-end investment funds and of the investment companies as financial intermediaries, published in the Official Gazette of Romania, Part I, no. 210 from 30 August 1993, approved by Law no. 83/1994;
h) Any other contrary provisions.

This Law transposes the following Directives:

a) Council Directive 93/22/EEC on investment services, with the subsequently amendments, published in the Official Journal L 141, 11/06/1993;
b) Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor-compensation schemes, published in the Official Journal L 084, 26/03/1997;

c) Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), published in the Official Journal L 375, 31/12/1985
d) Directive 98/26/CEE of the European Parliament and of the Council on settlement finallity in payment and securities settlement systems, published in the Official Journal L 166, 11/06/1998;
e) Directive 2003/71/CEE of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, published in the Official Journal 345, 31/12/2003;
f) Directive 2001/34/EC of the European Parliament and of the Council on the admission of securities to official stock exchange listing and on information to be published on those securities, published in the Official Journal L 184 , 06/07/2001;
g) Directive 2003/6/CEE of the European Parliament and of the Council on insider dealing and market manipulation (market abuse), published in the Official Journal L 96, 12/04/2003;
h) Directive 2002/65/EC of the European Parliament and of the Council concerning the distance marketing of consumer financial services, published in the Official Journal L 271, 09/10/2002;
i) Council Directive 1993/6/EEC on the capital adequacy of investments firms and credit institutions, published in the Official Journal L 141, 11/06/1993.

This Law has been approved by the Romanian Parliament according to the provisions of article 75 and Article 76 paragraph (1) of the Romanian Costitution, republished

Chamber of Deputies
President

Senate
President