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BEAM MARKET – NEW OPPORTUNITIES FOR ENTREPRENEURS AND INVESTORS

On January 21, 2021 the first IPO on the market for growth of small and medium-sized companies Beam was held on the Bulgarian Stock Exchange. 1 million shares of the Bulgarian technology company Biodit were offered and subscribed at the auction.

1. What is BEAM?

The market for growth of small and medium-sized companies Beam (Bulgarian Enterprise Accelerator Market) is a special market organized by the Bulgarian Stock Exchange (BSE), which provides funding for the activities of small and medium-sized companies in Bulgaria (according to the law, these are companies that have an average number of employees less than 250 people and annual turnover not exceeding BGN 97,500,000 and / or value of assets not exceeding BGN 84,000,000).

The main goal of market Beam is to provide small and medium-sized businesses with the opportunity to raise capital on easier terms compared to the regulated market, while giving them similar advantages to those of public companies. Market Beam is also an intermediate link on the way of a company to the actual listing on the Main Market of the BSE.

The BEAM market is not a regulated market within the meaning of the Markets of Financial Instruments Act and thus provides companies with a number of reliefs, compared to the heavy administrative requirements required for companies admitted to trading on the regulated market on the BSE. For example, raising capital up to € 3 million on the market Beam does not require an approved prospectus for initial public offering by the Financial Supervision Commission; Such capital raising may be carried out at any time during a period of 12 months; A company admitted to trading on the market is obliged to publish only annual and six-monthly financial statements, as well as an annual statement of financial position; The management bodies of the companies on the Beam market may carry out disposition transactions with fixed assets above a certain value and transactions in which receivables or liabilities arise above a certain value, without prior approval by the general meeting of shareholders.

Also, according to amendments to the Corporate Income Tax Act and the Personal Income Tax Act, to the provisions governing tax relief related to income from interest on bonds and other debt securities and income from the disposal of financial instruments, which are traded on a regulated market, the Beam Market is added for the period from 01.01.2021 to 31.12.2025. In view of the above, for the period of relief, the capital profit realized on the Beam Market from disposal of shares will not be subject to taxation (in respect of individuals) and provides for a reduction of the tax financial result of legal entities with the profit from disposal of financial instruments, realized in this market.

2. How is the market regulated?

The Beam market is regulated on the one hand, with special rules of the BSE for the market for growth Beam, and on the other hand, the regulations of the European legislation in the field of capital markets are directly applicable to it, such as Delegated Regulation (EU) 2017/565 of Commission of 25 April 2017 amending Directive 2014/65 / EU of the European Parliament and of the Council as regards the organizational requirements and conditions for the conduct of business of investment intermediaries and the definitions for the purposes of that Directive; Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse; Regulation (EU) № 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment intermediaries; Regulation (EU) № 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets of financial instruments.

3. Requirements to the companies – issuers

3.1. On the first place, market companies should be incorporated as joint stock companies under the relevant legislation without any limitation on the period of existence. The company's articles of association must provide for certain texts in connection with the admission to trading on the Beam market (for example, an explicit

text that the company is admitted to trading on the Beam market, in connection with which specific conditions are provided in order to protect investors; explicit power of the General Meeting to decide to terminate the registration on the Beam market); to have prepared a document for admission to trading in a sample in Bulgarian or English (in case the submitted data and documents are incomplete or inaccurate, a special Market Management Committee Beam has the right to request additional information and documents); to have prepared an audited financial statement for the previous financial year; to have a contract with an advisor for a period of at least 2 years.

Only financial instruments issued by joint-stock companies can be traded on the Beam market. Such financial instruments may be equity issues, depository receipts, bonds, warrants and rights.

3.2. The companies should have a contract for a period of at least 2 years with the so-called "Advisors" - these can be investment intermediaries, consulting companies, incl. law firms, accounting or auditing firms. They are actively involved in the preparation of the necessary documents for admission to the BEAM market, so that companies comply with the rules of the market and the applicable legislation. Their role is to support the work of issuing companies in the process of admission to trading and in their subsequent activities.

3.3. There are some requirements regarding the issues - for example, they should be in dematerialized form or be immobilized in the appropriate order and be registered in a depository institution (for Bulgaria this is the Central Depository); There should be no restrictions or conditions for their transfer; The issue value must be paid in full; Not to be admitted to trading on the regulated market organized by the Exchange; For the issue to have a document for admission with scope and content in accordance with the Rules for admission of financial instruments on the Beam market (in the preparation of this document a key role is played by the above-mentioned "advisors").

3.4. Disclosure - Issuers whose issues are admitted to trading on the Beam market are required to publicly disclose certain types of information, such as information about changes regarding the rights of the financial instruments; about changes in the Articles

of Association and its management and control bodies; invitation and materials for forthcoming general meetings of shareholders and / or bondholders; minutes of general meetings of shareholders and / or bondholders, etc. The information should be provided within 3 days of occurrence, unless otherwise specified.

4. Who can invest on the market?

There are almost no restrictions. Beam market companies have access to a wide range of individual and institutional investors, with the only restriction being for pension companies due to existing legal restrictions. Pension funds can be shareholders in case the company is admitted to trading on the Main Market of the BSE.

Those wishing to trade should contact a licensed investment intermediary, which as a market member will submit the relevant order on their behalf.

5. What are the applicable fees?

A one-time fee in the amount of BGN 600 with VAT is due for admission to trading of an issue on the Beam market, and an annual fee in the amount of BGN 1,200 with VAT is due for maintaining the registration.

For each executed order of shares, depository receipts, warrants and rights on the Beam market, a fee in the amount of 0.065 percent of the value of the order is due, but not less than BGN 1.

6. Supervision and penalties

The Bulgarian Stock Exchange carries out regular and extraordinary inspections of Beam market participants in connection with the orders and transactions entered and concluded by them on the Beam market and their obligations under these rules, as well as through constant monitoring of trading during trading sessions. During and after the end of each trading session, the BSE exercises control over the concluded transactions in order to establish violations of the legal requirements and the Rules, as well as market abuses of financial instruments. During the inspections, evidence is collected and copies of documents, information and written explanations related to the subject of the inspection are required, which the market participants and their employees are obliged to provide immediately.

The Board of Directors of the BSE has the right to impose sanctions for violation of the provisions of the Rules, as well as for non-compliance with the orders and decisions of the Board; making a misleading or false statement; established in the manner prescribed by law fraud committed by employees, procurators or members of the management or supervisory body of a participant in the Beam market, which is related to financial instruments accepted for trading on the Beam market; performing actions incompatible with the principles of good faith, fairness, equality and fair competition in trading in financial instruments or otherwise to the detriment of the Bulgarian Stock Exchange, Beam market participants or issuers with issues admitted to the Beam market; actions that restrict the rights of the BSE or hinder the fulfillment of its obligations.

The envisaged sanctions are a warning, an obligation to take specific measures necessary to eliminate the violations; temporary or permanent removal of a participant / intermediary in the Beam market from trading; a fine (which may not exceed BGN 50,000); temporary or permanent termination of customer access to a participant in the Beam market with sponsored access.

If you have additional questions or a similar situation, you can contact us for advice and legal advice.

** This statement does not constitute legal advice and is not exhaustive. It expresses the opinion of the author on a question.*