Capital Market

LEGISLATIVE AND REGULATORY FRAMEWORK

1. What is the relevant legal framework? Are there any pending legislative amendment proposals?

The main local legal enactments governing capital markets in Romania and setting forth the key principles for the organisation and functioning of the capital markets and their key players and participants are: Law No. 24/2017 on financial instruments and market operations, Law No. 297/2004 on capital markets, Law No. 126/2018 on markets in financial instruments (transposing MiFID II), Law No. 243/2019 on the regulation of alternative investment funds, Government Emergency Ordinance No. 32/2012 (GEO No. 32/2012) on the organisation and functioning of undertakings for collective investment in traded securities (UCITS) and of investment management companies, Law No. 74/2015 on alternative investment fund managers (AIFM).[1]

The above-mentioned legal enactments are implemented by way of ample secondary legislation issued by the Financial Supervisory Authority (FSA), especially the so-called "Regulations" focusing on a particular capital markets-related area or matter. Besides the Regulations, there are other secondary norms (instructions, decisions, disposals of measures) governing specific capital market matters. The local regulator also issued various endorsements (Romanian: *avize*) meant to clarify and/or interpret the application of a specific norm.

The most important secondary legislation issued by the FSA comprises:[2] Regulation No. 15/2004 regarding the authorisation and functioning of investment management firms, collective investment undertaking and depositories, Regulation No. 13/2005 on the authorisation and functioning of the central depository, the clearing houses and central counterparties and Regulation No. 10/2017 regarding central depositories for the implementation of EU Regulation No. 909/2014, Regulation No. 5/2018 on issuers of financial instruments and market operations, Regulation No. 13/2018 on trading

1 Romanian versions of such enactments (mostly not consolidated) can be accessed here https://asfromania.ro/legislatie/legislatie-sectoriala/legislatie-capital/legislatie-primara-capital.

2 Romanian versions of such enactments (mostly not consolidated) can be accessed here https://asfromania.ro/legislatie/legislatie-sectoriala/legislatie-capital/legislatie-secundara-capital/regulamente-capital.

venues, Regulation No. 2/2017 on transfer or deregistration from trading of securities in case of closing of an alternative trading system, Regulation No. 5/2019 on provision of investment services and activities pursuant to Law No. 126/2018 regarding markets in financial instruments, Regulation No. 9/2014 on the authorisation and functioning of the asset management companies, of UCITS and of depositories of UCITS, Regulation No. 7/2020 on the authorisation and operation of alternative investment funds, Regulation No. 10/2015 on management of alternative investment funds, Regulation No. 10/2018 regarding protection of financial instruments and the funds pertaining to clients, product governance obligations and the norms applicable to paying or receiving fees, commissions or other types of pecuniary or non-pecuniary benefits, Regulation No. 1/2019 on the evaluation and approval of the members of the management structure and of the persons holding key positions within the entities regulated by FSA, Regulation No. 3/2016 on the applicable criteria and the procedure for the prudential assessment of acquisitions and increases of participations in entities regulated by the FSA, Regulation No. 13/2019 on the establishment of measures to prevent and combat money laundering and terrorist financing through the financial sectors, Regulation No. 5/2010 on the use of the system of global accounts, the mechanisms with and without the pre-validation of financial instruments, securities lending and security interests and short selling transactions, Norm 14/2017 on the application of the MAR Guide - Information on commodity markets or related spot markets for defining insider information on commodity derivative financial instruments, Norm No. 5/2017 for the application of the MAR Guide - people to whom the market sounding is addressed and the MAR Guide is addressed - postponement of the publication of privileged information, Norm No. 34/2017 for the application of ESMA Guidelines on transaction reporting, order record keeping and clock synchronisation under the Markets in Financial Instruments Directive (MiFID II), Norm No. 23/2017 for the application of ESMA Guidelines on CSDs' access to CCPs or trading venues' transaction feeds, Regulation No. 14/2018 regarding provision of investment services and activities on behalf of financial services companies and credit institutions, Norm No. 15/2019 regarding application of ESMA Guidelines on Internalised Settlement Reporting under Article 9 of CSDR, Norm No. 14/2019 on application of ESMA Guidelines on the management of conflicts of interest for central counterparties (CCPs) and ESMA Guidelines on Anti-Procyclicality Margin Measures for Central Counterparties, Norm No. 23/2019 on application of ESMA Guidelines on the application of C6 and C7 of Annex 1 of MiFID II, Norm no. 29/2019 for the application of the ESMA Guide on risk factors under the Prospectus Regulation.

All relevant Regulations issued at EU level are of direct local applicability in Romania, and EU Directives must be accordingly transposed; also ESMA Guidelines are taken into account by local market players and FSA.

In addition, the Rulebook of the Bursa de Valori București S.A.[3] and the Rulebook of the local Depozitarul Central S.A.[4] are sets of rules drafted by these private entities relevant for the players on the local capital market.

2. Is the local legal framework fully harmonised with the EU legislation in the capital markets field?

Even before becoming a member of the European Union, Romania has strived to achieve the *acquis communautaire*, so as to ensure smooth accession. In the capital markets field, the harmonisation process started as early as 2004 and the local legal framework is, in principle, well harmonised with the EU legislation. We note that the customarily used implementation method was the "literal implementation" of the EU legislation ("as it is"), with quite limited local input.

Investment firms and investment management companies duly authorised in an EU Member State may provide financial services in Romania, directly or through local branches, their "original" authorisation/license being recognised by the local regulatory authority via a notification procedure. Also, listing on a local regulated market via EU passporting is also available to issuers already listed on a regulated market located in an EU Member State.

3. Which are the relevant capital markets institutions in Romania?

The main institutions on the Romanian capital market are:

- The regulatory authority – the Financial Supervisory Authority (FSA);[5]
- The market operator – Bursa de Valori București S.A. (BVB);[6]
- The central depository, ensuring depository activities for securities, clearing and settlement of securities transactions (Depozitarul Central S.A.);[7]
- Investors' Indemnification Fund,[8] ensuring investors' indemnification, up to a certain threshold in case of a default by an investment firm/asset management company to

3 The Rulebook of the Bursa de Valori București S.A. is available here in English https://www.bvb.ro/Juridic/files/EN_%20Rulebook%20RMO%20_11032021_website.pdf..

4 The Rulebook of the local Depozitarul Central S.A. is available here in English https://www.roclear.ro/Download?ID=6858&Lang=en-US.

5 Note that following a reorganisation process conducted at the level of the local financial authorities, as of 30 April 2013 the FSA has taken over all prerogatives and obligations of the local capital markets regulator (i.e. the former National Securities Commission), the local insurance regulator (i.e. the former Insurance Supervisory Commission), as well as of the local pension regulator (i.e. the former Pension Supervisory Commission).

6 The official website of BVB is www.bvb.ro.

7 The official website of Depozitarul Central S.A. is www.depozitarulcentral.ro.

8 The official website of the Investors' Indemnification Fund is www.fond—fci.ro.

reimburse investors' money and/or financial instruments.

It is important to mention that the BVB, together with the Energy and Natural Gas Operator (OPCOM), Enel, Tinmar (energy suppliers) and several other companies activating in the financial/investment area have incorporated CCP.RO Bucharest, meant to be further licensed by the FSA as the first Romanian central counterparty (CCP). The CCP is expected to become operational at the end of 2021.

4. Which are the key players/participants to the local capital market?

The key players/participants to the local capital market are:

- Issuers of financial instruments, consisting mainly of local (and very few foreign) commercial companies and undertakings for collective investments (UCITs),[9] local authorities (municipalities, city halls, county councils as issuers of bonds), and the State (for T-bills);
- Intermediaries/investment firms which may be either specialised financial investment services companies or credit institutions duly authorised in this respect;
- Investment management companies, whose main business object is the administration of investment portfolios (either of UCITs, AIF or of individual investment portfolios);
- Investors (other than those addressed under the items above), covering a full range of entities, from institutional ones (e.g. privately managed pension funds (Pillar II), optional pension funds (Pillar III) and insurance companies), to commercial companies and individuals, both local and foreign.

LISTING AND ACQUISITION/ TRADING OF SECURITIES

1. Which are the main local trading platforms?

Currently, Romania has one regulated market, namely the Bucharest Stock Exchange (BSE) operated by BVB, in existence since 1995; on the BSE are traded shares, bonds UCI units, warrants and certificates. BVB also operates a multilateral trading facility (MTF), the so-called "alternative trading systems" called "Aero".

9 We hereby refer to both UCITS (as regulated by MiFiD II) and the so-called Non-UCITS/AIFs (including alternative investment funds, as regulated under AIFMD). Note that the most active players on the local markets are currently the five SIFs and The Property Fund (Romanian: Fondul Proprietatea) – investment companies organised as Non-UCITS/AIF.

2. Which are the main requirements for admission to trading of securities?

As a general rule, any admission to trading on regulated markets requires a listing prospectus to be issued on the instruments being listed and the issuer thereof, which must be approved by the FSA before publication; in a limited number of cases, a simplified prospectus or, as the case may be, an informative document (which does not require an approval from the FSA) is accepted.

There are certain minimum requirements referring to the issuer, set forth by Law No. 24/2017 for admission to trading of securities:

- To be incorporated and carry out operations in compliance with the law;
- To have a preliminary level of capitalisation of at least EUR 1,000,000 or, if capitalisation cannot be assessed, the value of the capital and the reserves (including the profit or the loss of the last financial year) to be of at least EUR 1,000,000;
- To have operated for at least three years prior to submitting the application for listing (special exemptions may be applicable with regards to this requirement).

As regards the requirements referring to securities, these are as follows:

- To be freely negotiable and fully paid;
- To have sufficient spread to the public (in principle, a free float of 25% of the subscribed share capital is acceptable; special exemptions may be granted by the FSA under certain conditions).

Nevertheless, each stock exchange has its own rules for admission to trading; the BSE Code sets different requirements for each BSE tier and type of financial instrument which in certain respects are stricter than the minimum listing requirements set forth under Law No. 24/2017.

Securities' listing on Aero (MTF operated by the BVB) also provide specific capitalisation requirements for admission to trading. However, no prospectus is needed for listing on Aero.

3. Which are the means to acquire listed securities? Are OTC transactions permitted?

The available acquisition modalities for listed securities are:

- On-market transactions conducted via the system of the relevant trading platform

(i.e. regulated market or MTF) through a financial intermediary/ investment firm which is a participant to such system, based on the delivery versus payment mechanism (DVP) - transaction's settlement being ensured via a system operated by a central depository having a contractual arrangement with the operator of the trading system; or

- Over the counter (OTC) transactions, conducted outside the system of the relevant trading platform.

OTC transactions for listed securities are currently allowed in specific regulated cases, such as intra-group transactions (based on prior FSA approval) and for the purpose of performing turnaround transactions (OTC Turnaround). Essentially, OTC Turnaround entails that a financial intermediary acquires the intended stake via an on-market transaction ("correspondent transaction") and, on the same day, said stake (or a lower stake) is further transferred by the respective intermediary to the client (OTC transaction). OTC Turnaround can be implemented subject to several specific requirements that need to be cumulatively met.

4. Are there any particularities to the local on-market transactions? Is the use of the "omnibus accounts system" permitted?

As a general rule, all transactions made through the stock exchange entail an automatic pre-validation procedure aimed at ensuring that the shares exist in the seller's account both on the trade date and on the settlement date. Use of the "omnibus"/global accounts system with or without pre-validation is subject to the fulfilment of specific conditions.

Trading without pre-validation is currently allowed only through the "omnibus accounts" system and only for the issuers listed below:

- Issuers whose shares are registered with a Romanian central depositary and which are listed both on the Romanian capital markets and on an EU Member State capital market;
- Issuers of T-bills listed on a Romanian regulated market;
- Issuers whose shares are registered with a Romanian central depository and which are object of a cross-border public offering;
- Issuers whose shares are registered with both a Romanian central depository and a central depository located in an EU Member State with whom the Romanian central depository cooperates with for the purpose of ensuring the cross-border transfer and the settlement of the shares;
- Issuers whose shares are registered with the Romanian central depository and are

subject to a cross-border public offer notified to the FSA by a supervisory authority from another EU Member State;
- In other cases, specifically indicated by the FSA, at the request of the local central depository or of the operator of the regulated market/MTF.[10]

Transactions with the financial instruments issued by the issuers listed above may be done only through the "omnibus/global" accounts system.

5. Are security interests over listed financial instruments allowed? How does it work?

Setting-up security interests over financial instruments is possible. Such security interests become ostensible/perfected towards third parties and gain priority against competing security interests by registering the interest with the relevant central depository.

The owner is entitled to dispose of the financial instruments charged with the attached security interest, however only after the central depository has been notified of such intention. Following disposal, the financial instruments may be sold free of security interest, which will further be transferred upon and charge the sale proceeds (money) or, as the case may be, the financial instruments obtained in exchange (in the case of a swap). The former owner of the financial instruments must notify the creditor about such substitution; the creditor may request the supplementation of the substituted assets, in accordance with the provisions of the underlying security agreement.

The enforcement of the security interest is made by selling the respective financial instruments (by the creditor or the foreclosure officer – depending on whether the debtor agrees to the foreclosure or not) on the relevant market, through an intermediary. If the sale is not successful, the creditor itself may take possession of the respective financial instruments.

6. Is financial instruments lending allowed? Subject to what conditions?

Financial instruments' lending is only permitted (i) for performing short sale transactions; or (ii) for the physical settlement of derivatives; or (iii) for performing operations in the margin account; or (iv) for settlement of transactions, where the

10 Note that following such requests, the FSA has extended the "omnibus accounts system" and the mechanism without pre-validation to the issuers included in the BET index of BSE (top 10 most liquid issuers), as well as to the issuers listed on "Aero" (i.e. the MTF operated by BVB).

intermediary providing custody services did not communicate the transfer order - pertaining to the instructions of settlement of an allocation transaction, to the central depository; or (v) for settlement of transactions where at the date of settlement the financial instruments are not available; or (vi) for the exercise of the capacity of the authorised participant of tradable UCITS or the administration of tradable UCITS; or (vii) in the context of the market maker activities; or (viii) in any other situations – for ensuring completion of the transactions' settlement.

The law expressly prohibits financial instruments' lending with the exclusive purpose of obtaining dividends or exercising voting rights during shareholders' meetings.

7. Is short selling allowed? Subject to what conditions?

Generally, short sales are allowed in respect of any securities traded on a trading venue from Romania if are met the conditions provided by EU Regulation No. 236/2012 on short selling and certain aspects of credit risk swaps.

SALE OFFERS (SO)

1. Are there any price, minimum share stake or timing requirements?

The share sale offers may be launched by the issuer or by shareholders.

SOs require the drafting of an offer prospectus to be approved by the FSA within 10 business days from the application. Also, the SO needs to be conducted through an investment firm/financial intermediary.

As a rule, the price of a SO can be set discretionarily, as no specific restrictions/ calculation rules are set forth in that respect. However, in case of an IPO, the share price should at least be equal to shares' face/nominal value.

Also, in principle, there are no specific restrictions/requirements on a minimum/ maximum number of shares that can be offered in a SO. However, in the case of admission to trading of securities, the offering of a minimum share stake might be required so as to ensure the free float requirements of the market on which the admission is sought.

The duration of a SO (as of its launching) must be of 12 months maximum.

Applications for amendment of the SO terms may be submitted to the FSA, in which case the FSA may extend the SO term; investors which subscribed under SO prior to such amendments may further withdraw their subscriptions.

PURCHASE OFFERS (PO). TAKEOVER OFFERS

1. Who can launch a purchase offer? Are there any price, minimum share stake or timing requirements?

As a rule, the PO can be launched by any person, resident or non-resident entity, shareholder or unrelated to the respective issuer.

POs require the drafting of an offer document to be approved by the FSA within 10 business days from the application. Also, the PO needs to be conducted through an investment firm/financial intermediary.

The PO price must be at least equal to the highest of either (i) the weighted average shares trade price for the 12 months preceding the filing before the FSA of the PO application and (ii) the highest price paid by the offeror and the persons it acts jointly within the 12 months period preceding the filing with the FSA of the PO application. In case neither of the above applies, the price shall equal the net asset value of the shares computed by reference to the last financial statements of the issuer.

There are no specific requirements as regards the minimum share stake to be acquired under a PO.

The duration of a PO (as of its launching) must be between a minimum of 10 business days and a maximum of 50 business days.

Applications for amendment of the terms of the PO may be submitted to the FSA, in which case the FSA may extend the PO term.

2. What is a mandatory takeover offer (MTO)? Are there any exceptions from the obligation to launch such offer? Are there any price, minimum share stake or timing requirements applicable in case of such offers?

Once a person has acquired (directly or indirectly, either alone or jointly with the persons it acts "in concert" with) more than 33% of the voting rights in the issuer

company, that person is bound to launch, within two months, a public offer addressed to all the other shareholders for all their shares in the company called "mandatory takeover offer".

The obligation to launch a MTO is not applicable where the 33% threshold is exceeded following acquisitions made: (i) under a privatisation process; (ii) from the Ministry of Public Finance or any other authorised entities under a budgetary debts foreclosure procedure; (iii) between affiliates/members of the same group of companies; (iv) under voluntary takeover/purchase offers addressed to all shareholders, for all their shareholdings.

Also, where the 33% threshold was exceeded following "unintentional operations" (i.e. shares buy-back by the company followed by their cancellation; pursuant to exercising shareholders' preference right in subscribing new shares under share capital increase operations; merger/spin-off; inheritance), the shareholder may choose to either conduct the MTO, or sell the shares in excess of the 33% limit within three months.

As a general rule, the price under an MTO must be at least equal to the highest price paid for the issuer's shares by the offeror or the persons it acts "in concert" with within the 12 months period preceding the filing before the FSA of the MTO application, if the MTO documentation is filed with the FSA within the legally prescribed 2-month term. Note, however, that special and distinct rules for establishing the offer's price will apply in specific circumstances (i.e. if the legally prescribed term for documentation filing is not complied with, if the offeror and the persons it acts in concert with did not acquired shares within the 12 months preceding period to the filing before FSA; if, despite the shares being acquired within the 12-month period mentioned above, FSA would still find that said acquisitions would be likely to influence the correct pricing).

The rest of the requirements applicable to a PO (as described herein above) shall apply accordingly to the case of an MTO.

3. Conditions and price for a voluntary takeover offering (VTO)

A "voluntary takeover offering" (VTO) is a type of PO, where the offeror (existing shareholder or not) voluntarily targets the acquisition of more than 33% of the voting rights in an issuer.

Launching a VTO requires the takeover intention be communicated to the management of the target and the regulated market where the securities are traded (as well as published in the media publication) by way of a notice/ announcement approved by

the FSA.

Also, the target company's board of directors (BoD) shall send the FSA, the offeror and the regulated market a document setting out its opinion on the bid, the reasons on which it is based and the effects of the implementation of the bid on the company's interests and employees, and on the offeror's strategic plans for the company and their likely repercussions on the employees and the locations of the company's places of business. It may also convene the general meeting of the shareholders (GMS) in order to inform the shareholders on its position on the prospective takeover.

After being informed of the takeover intention, the management of the target is banned from taking new measures involving operations outside the ordinary course of business unless specifically approved by the extraordinary GMS (the misuse of a takeover intention notice solely for the purpose of ensuring a stand-still obligation to an issuer is sanctioned by law).

The price of the VTO should be at least equal to the highest among: (i) the highest price paid by the offeror/the persons it acts "in concert" with for shares in the target company in the 12 month-period preceding the submission to the FSA of the offer application; (ii) the average weighted trading share price pertaining to the past 12 months preceding the VTO; and (iii) the price resulting from dividing the company's net assets value (as per the latest financial statements) to the number of shares in issue.

The offeror and the persons it acts "in concert" with may not launch a new VTO for the same target for one year after the closing of one VTO.

4. Is counter-bidding allowed? If yes, subject to what conditions?

Counterbids may be launched within 10 business days as of the launching of any type of PO, provided that the counterbid targets at least the same quantity of securities/ reaching the same equity quota and its price is at least 5% higher than the price of the initial bid.

A competing procedure is further conducted by the FSA in order to select the winning bid that will ultimately stand for due subscription; the selection involves an "auction type" procedure, where the competing bidders submit bids for an increased offer price, with an "auction tick" of minimum 5% (i.e. by reference to the highest price offered in a previous auction round).

MINORITY SHAREHOLDERS' EXIT/ ISSUER'S DE-LISTING

1. How can minorities exit a listed company other than by regular on-market share sale?

Minority shareholders may be forced by the majority shareholder to exit the company (squeeze-out) or, as the case may be, they may force the majority shareholder to buy out their holdings (sell-out), once the majority shareholder has reached 95% of the shares having attached voting rights or has acquired 90% of the shares having attached voting rights targeted under a public purchase offering addressed to all the shareholders for all their shares.

Both operations (squeeze-out/sell-out) are to be made against a "fair price" determined in a manner regulated by law.

Minorities have the right to withdraw from a listed company (i.e. to request the respective company to buy-back their stakes) in the following limited cases:

- Certain specific corporate events (i.e. company's merger or spin-off, change of the company's main business object, change of the company's headquarters abroad, change of the company's legal form); or
- GMS decision on the company's de-listing; or
- In specific cases prescribed by Regulation No. 2/2017 (for companies listed on ATS) – for instance in the case where (a) an (extraordinary) GMS resolution deciding that in the context of the ATS operators' merger, the shares shall be delisted from the ATS operated by the absorbing operator is passed; or (b) the ATS absorbing operator refuses the trading of the shares on the ATS it operates.

In all the scenarios above, the price to be paid to the withdrawing shareholder(s) is to be established by an independent expert

2. How can a company be de-listed?

Issuer's de-listing can be achieved in either of the following ways:

- Pursuant to conducting a squeeze-out/sell-out procedure (as described herein above);
- Pursuant to an (extraordinary) GMS resolution on the withdrawal of the company from public trade; notably, such de-listing can be conducted subject to very restrictive conditions being met, which mainly require that in the past 12 months

preceding such, GMS shares' liquidity on the market was extremely low and the on-market transactions regarded a very small stake of company's shares, further approved by the FSA;

- Pursuant to the decision of the FSA, if such deems that, due to exceptional circumstances, an orderly market for the securities subject to deregistration cannot be maintained;
- Pursuant to the delisting procedure set forth by Regulation No. 2/2017 (for companies listed on ATS) – if (a) an (extraordinary) GMS resolution deciding that, in the context of the ATS operators' merger, the shares shall be delisted from the ATS operated by the absorbing operator is passed; (b) the ATS absorbing operator refuses the trading of the shares on the ATS it operates; (c) the (extraordinary) GMS although convened within the legally required timeframe, takes place without compliance with the statutory / legal quorum requirements or a decision is not passed due to unfulfilling of the legal or statutory requirements for passing a decision; or (d) the (extraordinary) GMS is not convened so as to take place within maximum 90 days as of the moment when the merger between the ATS operators becomes effective.

CORPORATE SPECIFICS

1. Are there any special rules for the appointment of the management in listed companies?

BoD members may be appointed under a special procedure, the so-called "cumulative voting method", in which case the company's BoD should consist of at least five members. Subject to certain special requirements being met, the shareholders may request the election of BoD members by using this special method (which entails the allocation by a shareholder of its voting rights to the existing BoD candidates, the candidates with the higher number of allocated votes being thus elected). The cumulative voting method does not have to be implemented by foreign issuers listed on the local market, which must observe their national corporate governance rules.

2. Are there mechanisms for protecting the shareholders (and in particular the minorities)? What are the key minorities' rights in listed companies?

One of the main goals of the capital market regulations is the protection of shareholders' interests; to this end, two main principles are stated by Law No. 24/2017, i.e. equal treatment of shareholders, and market transparency.

Protection of (minority) shareholders is ensured mainly through:

- Reporting/disclosure obligations imposed on issuers upon listing (via the listing/ offer prospectus) and also on periodical (quarterly/half-yearly/yearly) and ad-hoc bases (on events with potential significant impact on the market price);
- The issuer's obligation to reply to shareholders' inquiries (save for confidential/ business-sensitive data);
- Rules on GMS decision making;
- The shareholders' right to challenge the GMS resolutions for which they did not vote in favour;
- The shareholders' option to oppose certain major corporate events so as to have their shares bought back;
- Strict rules for company de-listing;
- Reporting transactions with company shares made by company insiders;
- Sanctioning insider trading and market manipulation.

Shareholders with a higher equity quota (above 5% or 10% respectively) have some additional rights, as detailed below.

3. How can the minorities avoid dilution?

As a general rule, share capital increases can be implemented only by granting the existing shareholders a preference right in subscribing (via an intermediary/investment firm) the newly issued shares; the GMS may decide to lift such preference right on exceptional basis only, i.e. by justifying the measure and in the presence of the shareholders representing at least 85% of the share capital and based on the votes of the shareholders holding at least ¾ of the voting rights. The observance of such preference right requires the drafting by the company of a FSA-approved prospectus/ proportionate prospectus in accordance with Regulation (EU) 2017/1129.

The newly issued shares not entirely subscribed by the existing shareholder may be either offered for subscription to the public or cancelled.

4. What are the key percentages/ thresholds that investors should know about?

- 5%, 10%, 15%, 20%, 25%, 33%, 50%, or 75% - exceeding or falling below such threshold triggers the reporting obligation of the shareholder;
- 5% - the shareholder may (i) request for the convening of the GMS or supplementing the agenda of an already convened GMS; (ii) request special reports

from the company's financial auditors and (iii) directly request in court the liability of the directors/BoD members (in its own name and on behalf of the company);

- 10% - the shareholder may (i) request the election of the BoD via the "cumulative voting method" and (ii) ask the court to appoint an expert to prepare a report on certain company operations;
- 33% - exceeding this threshold requires shareholders to observe the mandatory takeover rules (i.e. launching a MTO);
- 50%+1 – it allows in principle, *inter alia*, control upon general decision making (if no higher thresh-old is provided in the company's articles of association);
- Over 95% - allows the exercise of the minority squeeze-out and sell-out rights.