

CORPORATE BONDS

Use this instrument to finance your investment projects:
Admitting and trading on BVB

OVERVIEW

Correctly identifying and accessing **funding sources** is a priority of any corporate management. Companies that are seeking a viable alternative to shares and bank loans can take advantage of **corporate bonds**.

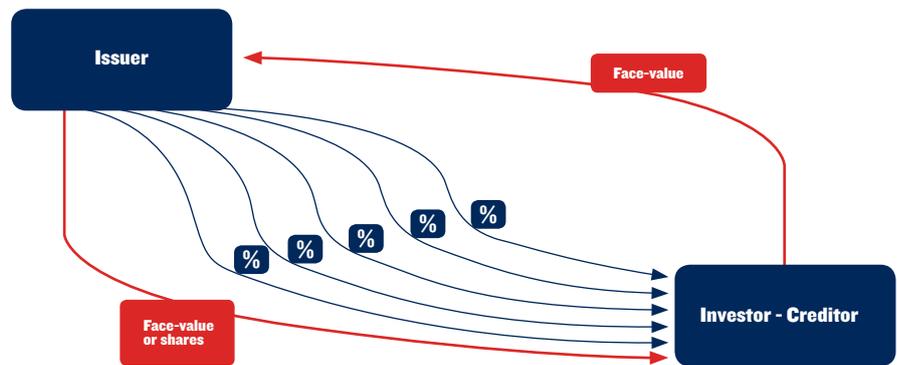
They offer a flexible way of raising capital and are, therefore, considered alternative funding instruments used by a number of companies.

Corporate bonds are identified as debt securities, issued on medium and long-term periods. Corporate bonds are generally issued by companies that want to, inter alia:

- ▶ finance development projects;
- ▶ expand business both home and abroad;
- ▶ build new offices;
- ▶ develop new products;
- ▶ refinance other investments by attracting funds available on the capital market.

With regards to functionality, corporate bonds are loans granted by bond issuers for a specific period of time. In exchange for the capital, an issuer has a contractual obligation to offer an interest to the bond holders, payable in intervals usually every six months. The bond holder has the right to redeem the capital borrowed at a specified, agreed-on date called the maturity date (or before the maturity, at the announced early redemption date).

Corporate bonds available on the Bucharest Stock Exchange (BVB) regulated market thus represent **a way of engaging investors' savings in economic activities**. On the other hand, issuers of corporate bonds admitted to trading benefit from increased **visibility** on national and international level as well as **promotion** through BVB's specific dissemination channels.



Note: Bond issuer pays a regular interest to the bondholders, based on the obligations specified in the prospectus. At the maturity, the bondholder is entitled to receive the nominal value of the bonds held or, in case of convertible bonds and only in case the bond holder has opted for conversion, shares in the respective company.

CORPORATE BONDS MARKET ON THE BUCHAREST STOCK EXCHANGE (BVB)

BVB, in its capacity of market and system operator, administers a regulated market and an alternative trading system (ATS). On these two segments there are available for trading shares, bonds, rights, fund units, government bonds as well as structured products.

Corporate bonds market debuted on BVB in 2004 with the issuance of corporate bonds of BRD – Groupe Société Générale. Examples of other companies that also decided to finance their activities through the issuance of corporate bonds are Transelectrica, Raiffeisen Bank, Garanti Bank and Unicredit Tirioc Bank.

Currently, BVB regulated market trades 6 types of domestic corporate bonds as well as bonds issued by a foreign issuer, the European Bank for Reconstruction and Development (EBRD). The total value of corporate bonds traded on BVB regulated market surpassed RON 2 billion in 2014.

NECESSARY STEPS FOR ISSUING CORPORATE BONDS ON BVB

Pentru listarea obligațiunilor corporative ca instrumente financiare tranzacționabile la Bursa de Valori București este necesară parcurgerea următoarelor etape:

1. The decision to issue corporate bonds

and to list them on BVB has to be concluded during company's General Shareholders Meeting. Moreover, during the meeting, the shareholders ought to agree on the main features of the corporate bonds.

2. Intermediaries: the issuer should address an intermediary authorized by the Financial Supervisory Authority (ASF) and a BVB participant in order to conclude an intermediary contract. The intermediary will then handle all the technical procedures relating to the offer of the corporate bonds and their admission to trading on BVB. The list of intermediaries can be found on BVB website (www.bvb.ro) in the 'Intermediaries' section.

3. Final decision regarding the main features: after consultation with the broker, the issuer shall determine the following characteristics:

- a. the overall value of the credit,
- b. the nominal value as well as number of bonds issued,
- c. interest rate offered,
- d. maturity period and payments frequency,
- e. duration of the offer,
- f. type of bonds: convertible or non-convertible (bonds that change into shares on the maturity date), conversion rate and, if applicable the type of insurance.

Note: If an issuer decides to issue bonds convertible to shares, he should take the following aspects into account: the respective shares should be listed on BVB regulated market and the nominal value of the bonds should be equal to the value of shares.

4. Preparation of the prospectus –

a document created by the intermediary based on the data provided by the issuer. Prospectus has to be approved by the ASF and it should include:

- a. Presentation of the issuer and the intermediary as well as any other person involved in preparation of the prospectus,
- b. Information regarding the corporate bonds as well as the rights they confer (number of bonds, their nominal value, issuing price, interest rate, repayment options, bond type, how bonds are insured, listing process, the period of the offer, destination of funds targeted),
- c. Information on the issuer, such as: identification data, nature of his business, share capital and any other bonds already issued, information regarding the management, future perspectives as well as risk factors.

5. Registration at the Financial Supervisory Authority: ASF approves the closing of the offering and as a result thereof bonds are registered as financial instruments eligible to be admitted on the regulated market.

6. Ensuring post-trading conditions: Issuer enters into contract with the Central Depository, institution that provides clearing and settlement of the transactions as well as keeps the accounting records on the holdings of issuers' securities.

7. Ensuring the trading conditions: Regarding admission of corporate bonds to trading, the intermediary provides BVB with the following mandatory documents, as specified in BVB's Rulebook:

- a. crequest for admission to trading bonds;
- b. prospectus, accompanied by ASF decision approving it;
- c. summary of the prospectus containing the public offer, translated to English;
- d. notification from the intermediary providing results of closing the public offer;
- e. certificate proving the registration of the bonds with ASF (copy);
- f. decision of the issuer's statutory body regarding the admission of bonds to trading on BVB market (copy);
- g. commitment to admission and to maintenance of trading of the corporate bonds on BVB;
- h. proof of payment of the processing fee;
- i. statement of the issuer, providing names of persons designated to remain in contact with BVB (at least two persons);
- j. any other document BVB might consider necessary.

8. The final admission to trading is approved by the Board of Directors of BVB, following the analysis of the relevant documentation, in conformity with BVB regulations.

OTHER CONDITIONS; ADMISSION AND MAINTENANCE FEES FOR CORPORATE BONDS

Corporate bonds admitted to the regulated market of the BVB are subject to following rules:

- ▶ A public offering was carried on based on a prospectus approved by Financial Supervisory Authority in order to be admitted to trading;
- ▶ Bonds need to have a minimum value equivalent to **EUR 200,000**. When the amount is lower than EUR 200.000, approval is required from ASF for the admission of these bonds to trading.

Fees charged by BVB for admission and maintaining of trading include:

- ▶ Processing of the admission file (1,200 lei + VAT);
- ▶ Fee for the admission to trading (varies between 1,500-10,500 lei + VAT, depending on the total value of bonds issued);
- ▶ Maintenance fee, paid annually (varies between 1,500-10,500 lei + VAT, depending on the total value of the bonds issued).

Note: Full list of tariffs applicable at BVB can be found on the website www.bvb.ro, under 'Regulations' tab.

Transparency after the admission to trading: the issuer of the bonds admitted to trading on a regulated market has a number of reporting obligations to the capital market institutions as well as the investors' community. These include financial reports, interest payments, issuing notifications regarding events that can affect the bondholders, etc.

Legal framework relating to the admission to trading of corporate bonds:

- ▶ Law no 31/1990 republished, with subsequent amendments;
- ▶ Law no 297/2004 on capital markets, with subsequent amendments;
- ▶ CNVM Regulation nr. 1/2006 on securities transaction, amended and supplemented;
- ▶ BVB rulebook – market operator, Book I, Title II.