

ACTION PLAN CONTAINING MEASURES AIMING TO REALISE THE INTENTIONS OF THE REPUBLIC OF BULGARIA TO JOIN THE EXCHANGE RATE MECHANISM II (ERM II) AND THE BANKING UNION

Name of measure	Stages in the implementation of the measure until its deadline	Result	Deadline/status	Responsible units/institutions involved
1. Banking Union a) Application	<ul style="list-style-type: none"> Preparation of a letter of application, proposals for legislative amendments and accompanying documents for the Council of Ministers 	<ul style="list-style-type: none"> Letter of application 	Completed	MoF, BNB
	<ul style="list-style-type: none"> Council of Ministers' Decision 	<ul style="list-style-type: none"> Council of Ministers' Decision; letter sent 		
	<ul style="list-style-type: none"> Sending the letter together with the enclosed legislative proposals 			
b) Preparation	<ul style="list-style-type: none"> Legislative amendments related to the powers of the European Central Bank in the period of close cooperation 	<ul style="list-style-type: none"> Amendments to the following laws passed by the National Assembly: Law on Credit Institutions; Law on the Bulgarian National Bank; Law on the Recovery and Resolution of Credit Institutions and Investment Firms. 	December 2018	MoF, BNB
	<ul style="list-style-type: none"> Secondary legislation (by-laws?) 		March 2019	
	<ul style="list-style-type: none"> Assessment of supervision/secondary legislation (by-laws?) 		May 2019	

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	<ul style="list-style-type: none"> • Asset quality review, stress tests <ul style="list-style-type: none"> ○ Preparation ○ Execution ○ Assessment/decision 		September – October 2018 (start) June – July 2019 (end)	BNB MoF, ECB (SSM)
2. Macro-prudential Supervision	<ul style="list-style-type: none"> • Adoption of legislative amendments by the National Assembly in order to introduce borrower-based macro-prudential tools in the Law on Credit Institutions 	<ul style="list-style-type: none"> • Amendments to the Law on Credit Institutions passed by the National Assembly 	December 2018	MoF, BNB
3. Non-banking Supervision a) Implementation and reporting of the action plan on the supervision of the non-banking sector (pension funds and insurers) adopted by the Financial Supervision Commission in September 2017	<ul style="list-style-type: none"> • Provision of the action plan on the supervision of the non-banking sector (pension funds and insurers) to the Ministry of Finance by the Financial Supervision Commission 	<ul style="list-style-type: none"> • Action plan on the supervision of the non-banking sector (pension funds and insurers) provided to the Ministry of Finance by the Financial Supervision Commission 	Completed	Financial Supervision Commission
b) Preparation of guidelines/methodical instructions for valuation of assets (non-liquid assets)	<ul style="list-style-type: none"> • Elaboration and implementation by the Financial Supervision Commission of the secondary pension fund-related legislation – creating an obligation for documentation of the process of determining the risk premium of debt 	<ul style="list-style-type: none"> • Ordinance amending and supplementing Ordinance No 9 of 19 November 2003 on the manner and procedure for valuation of assets and liabilities of additional pension insurance funds and of the pension insurance company, of the value of the 	October 2018	Financial Supervision Commission

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and liabilities in the non-banking sector	<p>securities evaluated under the discounted cash flow method; introduction of professional experience requirements to the independent evaluator of the real estate owned by pension funds, as well as requirements to the methods used for valuation thereof;</p>	<p>fund's net assets, for calculation and announcement of the value of one share and for the requirements to keeping individual batches prepared and adopted by the Financial Supervision Commission.</p>		
	<ul style="list-style-type: none"> Elaboration and implementation by the Financial Supervision Commission of secondary legislation related to insurers: with regard to the insurers' accountability under IAS about the manner and procedure for valuation of the assets and liabilities of insurers and re-insurers by further developing the requirements to the valuation of some asset values that are difficult to be determined and introduction of requirements for the professional experience of the independent evaluator of the real estate owned by insurers and re-insurers, as well as for the methods used for the valuation thereof; 	<ul style="list-style-type: none"> Ordinance amending and supplementing Ordinance No 53 of 23 December 2016 on the requirements to the reporting, valuation of assets and liabilities and establishment of technical provisions of insurers, re-insurers and the Guarantee Fund prepared and adopted by the Financial Supervision Commission. Supplementing a Methodology for certification of annual quantitative data under Regulation (EU) 2915/35 with regard to the accountability of insurers under Solvency II with procedures which auditors will have to carry out with regard to the valuation of assets that are difficult to be determined when inspecting the balance sheets of insurers and re-insurers. 	December 2018	Financial Supervision Commission
	<ul style="list-style-type: none"> Cooperation with the Bulgarian Institute of Chartered Accountants implementing the EIOPA Guidelines on 	<ul style="list-style-type: none"> Joint instructions of the FSC and the Bulgarian Institute of Chartered Accountants to auditors which are 	December 2018	Financial Supervision Commission

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	<p>facilitating an effective dialogue between competent authorities supervising insurance undertakings and statutory auditor(s) and the audit firm(s) carrying out the statutory audit of those undertakings (EIOPA-16/858) in order to adopt joint instructions with FSC to auditors that should become obligatory for audit undertakings and applicable when performing IAS and ISRS 4400 audits.</p>	<p>applicable when performing IAS and ISRS 4400 audits elaborated and adopted.</p>		
<p>c) Elaboration and implementation of a risk-based system of supervision in accordance with Solvency II</p>	<ul style="list-style-type: none"> • Improvement in the supervisory work of the Financial Supervision Commission by introducing requirements for risk-based supervision: • Elaboration and endorsement by the Financial Supervision Commission of a draft manual for risk-based supervision of the activity of pension insurance companies and of the pension funds they manage, as well as of pension fund custodian banks, which sets out indicators and processes relevant to the additional pension insurance model. • System of criteria for categorisation of insurance companies according to their risk degree and systemic importance adopted and updated. Comprehensive review of the Financial Supervision 	<ul style="list-style-type: none"> • Risk-Based Supervision Manual elaborated and endorsed • Order No 343 of 12 October 2017 of the Financial Supervision Commission endorsing a system of criteria for categorisation of insurance companies 	<p>December 2018 – testing; Beginning of 2019 – practical implementation</p> <p>December 2018 – testing; Beginning of 2019 – practical implementation</p>	<p>Financial Supervision Commission</p>

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	Commission's internal procedure for risk-based supervision of insurance companies.	according to their risk degree and systemic importance. Practical testing of the system of criteria in 2018 and update of internal documents on the basis of the results.		
4. Insolvency Framework	<ul style="list-style-type: none"> Application under the Structural Reform Support Programme (SRSP) 	<ul style="list-style-type: none"> Project approved by SRSP 	Completed	Ministry of Justice, Supreme Judicial Council, Ministry of Economy, Ministry of Finance
<ul style="list-style-type: none"> Project launch – establishing a working group 	<ul style="list-style-type: none"> Working group order 	August/September 2018		
<ul style="list-style-type: none"> Revision of the existing insolvency and stabilisation framework and finding any shortcomings and obstacles to the system's effectiveness; giving recommendations for addressing the weaknesses identified on the basis of a comparative analysis with other Member States 	<ul style="list-style-type: none"> Review of legislation and recommendations given 	April 2019		
<ul style="list-style-type: none"> Review of the existing system for data collection and publication and defining a data collection and publication strategy; making recommendations for improved data collection and publication; selection of a data collection and publication model on the basis of the Member States' best practices; legislative amendments in view of integrating the model 	<ul style="list-style-type: none"> Model of an effective data collection and publication e-system for the insolvency and stabilisation procedures elaborated 	April 2019		

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	<ul style="list-style-type: none"> Drawing up a road map on the implementation of the recommendations relating to the insolvency framework and on the introduction of the data collection and publication model 	<ul style="list-style-type: none"> Road map with a time frame, participants and activities for implementation of the recommendations and the proposed model for data collection and publication and the related legislative amendments; 	May 2019	
	<ul style="list-style-type: none"> Training of trainers, trustees and fiduciaries 	<ul style="list-style-type: none"> Training programmes and hand-outs elaborated and capacity strengthening activities conducted 	June 2019	
5. Anti Money Laundering Framework	<ul style="list-style-type: none"> Addressing any potential problems identified by the Commission in the evaluation of the transposition of Directive (EU) 2015/849 of European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (AMLD 4) 	<ul style="list-style-type: none"> Legislation adopted by the National Assembly 	December 2018	State Agency for National Security and Ministry of Interior – head institutions, Ministry of Finance, Registry Agency, Ministry of Justice, Bulgarian National Bank, Financial Supervision Commission, etc. – supporting institutions
	<ul style="list-style-type: none"> Council of Ministers’ approval of a draft law transposing Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending 	<ul style="list-style-type: none"> Legislation adopted by the National Assembly 	March 2019	

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	Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU (AMLD 5).			
6. Modernisation of the framework for management of state-owned enterprises in line with the good international practices	<ul style="list-style-type: none"> • Application by a SRSP project 	<ul style="list-style-type: none"> • Project prepared 	Completed	Ministry of Finance, OECD, European Commission, all ministries, NSI, municipalities
<ul style="list-style-type: none"> • Project launch 	<ul style="list-style-type: none"> • Design proposal for project implementation drafted by OECD 	Completed		
<ul style="list-style-type: none"> • Gathering information about the status of the sector on the basis of questionnaires 	<ul style="list-style-type: none"> • Questionnaires filled in 	End September 2018		
<ul style="list-style-type: none"> • Fact finding OECD mission to Bulgaria aiming to draft a preliminary report on the framework of state-owned enterprises 	<ul style="list-style-type: none"> • Fact finding OECD mission to Bulgaria aiming to draft a preliminary report on the framework of state-owned enterprises 	October 2018		
<ul style="list-style-type: none"> • Discussing practices and reform priorities within the OECD working group 	<ul style="list-style-type: none"> • Meeting of the OECD working group held and a detailed first report on the status of state-owned enterprises drafted 	14-15 November – December 2018		
<ul style="list-style-type: none"> • Launching the work on drafting proposals for legislative amendments and conducting a second mission examining the facts in the review of the state-owned enterprises and engaging 	<ul style="list-style-type: none"> • A second OECD mission conducted to discuss the report on the status of state-owned enterprises 	January 2019		

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	with the institutions involved in the project			
	<ul style="list-style-type: none"> Conducting a meeting of the working group with Bulgarian representatives to arrive at a conclusion on Bulgaria's position regarding the guidelines for state-owned enterprises 	<ul style="list-style-type: none"> Meeting of the OECD working group held 	11-12 March 2019	
	<ul style="list-style-type: none"> Conducting a third mission to present the outcome of the working group discussions and finalising the proposals for legislative amendments 	<ul style="list-style-type: none"> Third mission conducted and finalising the proposals for legislative amendments in the area 	March-April 2019	
	<ul style="list-style-type: none"> Preparing a draft law and the accompanying documents for submission to the Council of Ministers for consideration 	<ul style="list-style-type: none"> Draft law and accompanying documents prepared; reconciliation procedure held under the Rules of Procedure of the Council of Ministers and Its Administration 	May 2019	
	<ul style="list-style-type: none"> Submission for consideration by the Council of Ministers 	<ul style="list-style-type: none"> Draft law approved by the Council of Ministers 	June 2019	
	<ul style="list-style-type: none"> Submission of the draft law for consideration by the National Assembly 	<ul style="list-style-type: none"> Law passed by the National Assembly 	June 2019	
7. Law Ratifying the Agreement on the Transfer and Mutualisation of Contributions to the Single Resolution Fund	<ul style="list-style-type: none"> Inter-institutional co-ordination 		August 2018	MoF
	<ul style="list-style-type: none"> Adoption of a ratifying law 	Ratifying law passed by the National Assembly	September 2018	

