

COORDINATION COUNCIL FOR
THE PREPARATION OF THE REPUBLIC OF BULGARIA
FOR EURO AREA MEMBERSHIP



NATIONAL EURO CHANGEOVER PLAN OF BULGARIA



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List of abbreviations and terms used

ERM II	EU Exchange Rate Mechanism II
BNB	Bulgarian National Bank
BSE	Bulgarian Stock Exchange AD
TFEU	Treaty on the Functioning of the EU
GS	Government securities
EC	European Commission
SSM	Single Supervisory Mechanism
EU	European Union
ECB	European Central Bank
EMU	EU Economic and Monetary Union
IS	Information systems
FSC	Financial Supervision Commission
MEI	Ministry of Economy and Industry
MF	Ministry of Finance
SME	Small and Medium Enterprises
MTF	Multilateral Trading Facility
NRA	National Revenue Agency
NSS	National Statistical System
CD	Central Depository AD

1 INTRODUCTION

The accession of Republic of Bulgaria to the euro area is the logical final phase of the European integration processes within the Economic and Monetary Union (EMU), the preparations for which started in parallel with the transition to a market economy. Joining the euro area and the Schengen area have been and remain the main priorities of all governments that have been in power in Bulgaria for the last 20 years.

Bulgaria's pledge to join the euro area dates as far back as the officially stated Negotiating Position and the Supplementary Information to it under Chapter 11 "Economic and Monetary Union" of 2001, as well as with the Pre-Accession Economic Programs of the Republic of Bulgaria for 2002-2005 and 2004-2007. Subsequently, the commitment to the future adoption of the single European currency was reaffirmed in the Treaty of Accession of the Republic of Bulgaria and Romania to the European Union, promulgated in the Official Journal of the European Union OJ L 157, 21 June 2005, with effect from 1 January 2007.

The adoption of the euro is an obligation of the Bulgarian state under EU law, when it meets all the membership criteria. Until joining the euro area, Bulgaria participates in the EU Economic and Monetary Union as a Member State with a derogation.

In fulfilment of this obligation, in June 2018, the Minister of Finance and the Governor of the Bulgarian National Bank submitted a joint letter¹ of intent for the Bulgarian lev to join the Exchange Rate Mechanism II (ERM II), following the fulfilment of unilateral preliminary commitments, including Bulgaria's application to participate in the Single Supervisory Mechanism (SSM) by establishing close cooperation with the European Central Bank (ECB) under Regulation (EU) No. 1024/2013². The intentions expressed in this letter received the political support of the Eurogroup.

In July 2018, the Minister of Finance and the Governor of the Bulgarian National Bank submitted a joint letter of application for the establishment of close cooperation with the ECB.

¹ <https://www.minfin.bg/en/1291>

² COUNCIL REGULATION (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions

The Bulgarian government and institutions have fulfilled all unilateral commitments for the country's accession to the Exchange Rate Mechanism II, including the establishment of close cooperation within the Banking Union. In the context of the stated intention, the government adopted and implemented an Action Plan that included measures in various policy areas, such as harmonizing the legal framework for BNB's structure and operation with the requirements for establishing close cooperation with the ECB, as well as strengthening the framework for the supervision of the non-banking financial sector; introducing a new instrument in the macroprudential framework; improving the insolvency framework; strengthening the anti-money laundering framework and modernizing the governance framework for state-owned enterprises; ratifying the Agreement on the transfer and mutualisation of contributions to the Single Resolution Fund.

The efforts of the Bulgarian authorities and institutions were positively assessed by the European Commission, the ECB and the euro area Member States. On 24 June 2020, the Governing Council of the ECB adopted a decision establishing close cooperation with the Bulgarian National Bank with effect from 1 October 2020. On 10 July 2020, the Ministers of Finance of the euro area Member States, the President of the European Central Bank, together with the Finance Ministers and the Governors of the Central Banks of Denmark and Bulgaria, decided unanimously to include the Bulgarian lev in the Exchange Rate Mechanism II.

Bulgaria participates in ERM II with its currency board regime and fixed central rate of BGN 1.95583 for 1 EUR, which rate will be maintained upon Bulgaria's entry into the euro area and will be confirmed by an amendment to Regulation (EC) No 2866/98³.

Following the inclusion of the Bulgarian lev in ERM II, Bulgaria is preparing to accede to the euro area on **1 January 2025**. In this context, the Bulgarian government has accelerated its work in several areas - implementation of the post commitments after our accession to ERM II, fulfilment of the convergence criteria according to the EC and ECB Convergence Reports and practical preparations for the changeover of the Bulgarian lev to the euro.

The post commitments that the country has undertaken since joining the Exchange Rate Mechanism II are a natural continuation and advancement of the measures and reforms already implemented in the areas of: non-banking financial sector, governance framework of state-owned enterprises, insolvency framework, and the anti-money laundering framework. The implementation of the post commitments is

³ Regulation (EC) No 2866/98 on the exchange rates to the euro for the currencies of the Member States adopting the euro

part of our country's euro area accession process, which will contribute to a sustainable economic convergence with euro area Member States.

According to the Treaty on European Union, achieving nominal and sustainable convergence is the condition for membership, which our country must meet. Achieving such convergence is determined by the fulfilment of the euro area membership criteria defined in the Maastricht Treaty⁴, namely:

- Price stability criterion, according to which the average inflation rate should not exceed by more than 1.5 percentage points the average inflation rate in the three best performing Member States in terms of price stability;
- Budget deficit should not exceed 3% of GDP;
- Government debt should not exceed 60% of GDP;
- The average nominal long-term interest rate, as measured by 10-year government bond yields denominated in national currency, over a one-year period prior to the assessment should not exceed by more than 2 percentage points the average of the three best performing Member States in terms of price stability;
- Participation in the Exchange Rate Mechanism II for a period of at least two years prior to the assessment, without devaluing against the euro.

Along with the implementation of legal, economic and structural measures to strengthen the competitiveness and sustainability of the Bulgarian economy, the road to a smooth adoption of the euro is also linked to thorough planning and practical preparation for the adoption of the single currency by the administration as well as by businesses and citizens.

The preparation involves serious organizational, coordination and expert work. The experiences of the most recent euro area members shows that proper planning and preparation for the introduction of the euro reduces potential risks related to inefficient distribution of work over time, as well as difficulties in the daily activities of institutions, businesses and citizens.

This National Euro Changeover Plan of Bulgaria is the document on the basis of which the operational work for the replacement of the lev with the euro will be done. **The plan was developed by the Coordination Council for the preparation of the Republic of Bulgaria for euro area membership.** In the drafting of the Plan, best practices of euro area Member States have been followed.

⁴ The Maastricht convergence criteria are described in Art. 140 of the Treaty on the Functioning of the European Union and Protocol 13 thereto: <http://eur-lex.europa.eu/legal-content/BG/TXT/?uri=celex%3A12012E%2FTXT>

The first version of the National Changeover Plan was adopted by Decision of the Council of Ministers No. 344 of 30th May 2022. The present document is an update of the Plan adopted in 2022 which was done to revise its texts in relation to the change of the indicative date for the introduction of the euro on 1 January 2025, to reflect the progress achieved so far in the technical preparations for the introduction of the euro in Bulgaria, as well as to align the remaining preparatory activities to the new indicative date.

The National Euro Changeover Plan describes the principles, the institutional and legal framework for the adoption of the euro, as well as the main activities for the successful introduction of the euro from 1 January 2025.

In particular, the document provides an overview of all the important operational activities and measures that the actors involved in the preparations for the introduction of the euro - the private sector, the public sector and citizens themselves - should carry out as part of the changeover process. It defines the rules for the conversion of prices and other indicators, explains the procedures for the exchange of cash and for the conversion of euro-denominated deposits and loans at fixed and variable interest rates. The procedures for the supply and distribution of euro banknotes and coins are outlined, and the necessary legislative changes are described. This document also includes the main principles and stages of the information campaign aimed at raising the awareness of Bulgarian citizens about the way of exchanging the lev for the euro, the design, basic and security features of euro banknotes and coins, consumer protection measures and other important issues related to the introduction of the euro.

The structure of the document is organised in six chapters, with the present First Chapter being an introduction. Chapter Two explains the basic principles to be followed in the process of introducing the euro. Chapter Three explains the scenario and the stages in the changeover process. Chapter Four provides an overview of the legal framework at European Union level governing the use of the euro as a single currency and describes the changes in national legislation necessary for the introduction of the euro. Chapter Five presents the role of the main stakeholders in the adoption of the euro and Chapter Six describes the measures to be taken by the competent authorities in the different areas of public finance, public administration, financial and non-financial sectors, consumer protection and information campaign.

Included as an Annex to the Plan are *Methodological instructions to the administrative authorities for the adaptation of the information systems to the euro*, which will ensure a precise and uniform application of the requirements for the introduction of the euro by the administrative authorities in the process of adapting their information systems to the euro.

The specific measures to be carried out in the process of preparation for euro area membership, with the specific deadlines, the working groups and lead institutions

responsible for implementation, as well as the degree of their implementation, are detailed in an Action Plan implementing the National Euro Changeover Plan, the implementation of which is monitored on a monthly basis.

2 PRINCIPLES OF THE EURO INTRODUCTION PROCESS

In order to be successful, the process of introducing the euro should run smoothly and cause as little disruption as possible to the daily lives of citizens and businesses. To this end, in the process of preparing our country for euro area membership, public authorities will be guided by and will strictly adhere to the following principles:

Effectiveness – in preparation for membership, the most appropriate measures will be taken to achieve the desired outcomes (there should be commensurability between the measures and the desired end results).

Responsibility – all public authorities involved in the changeover process will be responsible for the smooth running of preparations in their areas of competence.

Transparency – the process of preparation of our country for membership in the euro area should be as transparent as possible, with a dedicated euro website and various information and clarification campaigns.

Conversion from BGN to EUR – Currency conversion means the physical exchange of BGN cash for euro and the conversion of prices, deposits, loans, financial instruments and other balance sheet items. The conversion will be done by applying the irrevocably fixed exchange rate of BGN 1.95583 for 1 EUR, which will be confirmed by amending Regulation (EO) № 2866/98⁵.

No amounts may be converted using the short form of the fixed exchange rate, but **the full** fixed exchange rate must be used, i.e., with all five decimal places. Only then can the result be rounded to the second decimal place.

Consumer protection – the interests of Bulgarian citizens must be fully protected. It is to be ensured that consumers will not be in a worse situation after the euro introduction than they would have been if the euro had not been adopted. For this purpose, all possible measures will be taken to prevent any abuses in the lev-to-euro conversion. Effective monitoring and control tools will reduce the risk of price increases that may otherwise occur as a result of euro adoption.

⁵ Regulation (EC) 2866/98 - on the exchange rates to the euro of the currencies of the Member States adopting the euro

Avoiding harm to natural and legal persons – the introduction of the euro should not cause harm to Bulgarian natural and legal persons. As from the date of introduction of the euro, remuneration for work, compensation, cash and social benefits, as well as pensions under Part One of the Social Security Code, after conversion in accordance with the principle of "Conversion from leva to euro", shall be rounded to the nearest euro cent, and if the third decimal place is greater than zero, the second decimal place shall be increased by one.

Consumer security – consumers should be protected to the maximum extent possible from potential misuse and counterfeiting associated with the introduction of euro banknotes and coins. To this end, information campaigns aimed at acquainting citizens with the characteristics and security features of euro banknotes and coins will be conducted.

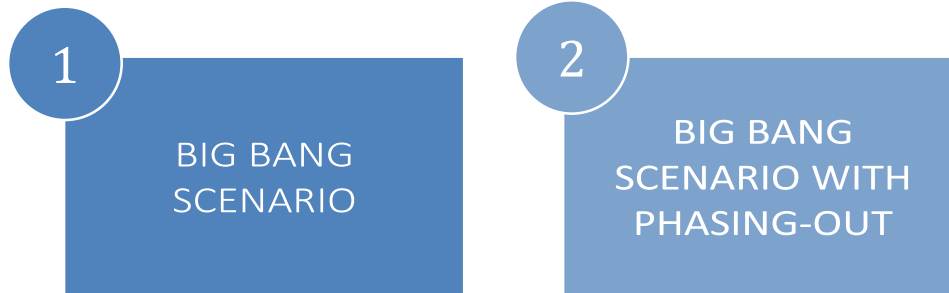
Minimization of public spending associated with the adoption of the euro – in order to minimize the public costs associated with the euro introduction, each entity, whether private or public, will be responsible for covering its own costs arising from the introduction of the euro, as well as for its organizational and technical preparation. The costs of adopting the euro in the private sector will not be compensated by public funds.

Special attention to the most vulnerable social groups – in preparing for the introduction of the euro, special attention will be paid to certain social groups such as students, pensioners, ethnic minorities, people living in remote areas or those with limited access to financial information and services, as well as people suffering from physical, sensory or mental illness, etc.

Continuation of existing contracts and automatic conversion of loans, deposits and account balances, borrowings, financial instruments and securities – the introduction of the euro will not modify or cancel existing contracts. All contracts, including those for loans, deposits and financial instruments denominated in BGN or with references to the Bulgarian lev, will continue to be valid after the accession of Bulgaria to the euro area. The value of the lev will be equivalent to the value in euro converted by applying the irrevocably fixed exchange rate of 1.95583 lev to 1 euro.

3 SCENARIOS AND TIME PERIODS

The scenarios under which a Member State with a derogation can adopt the euro are the following:



- The so-called "***Big bang scenario***" is when euro banknotes and coins become official legal currency from the date of membership in the euro area. The use of the national currency together with the euro is allowed for a period of up to 6 months after the changeover;
- The so-called "***Big bang scenario with phasing-out***" is one in which the national currency of the country concerned can still be used in certain legal instruments and systems (such as IT systems) for a period of up to one year from the euro's introduction date. This scenario takes advantage of the rapid euro introduction, as in the first scenario, combined with an extended withdrawal period for the national currency, which may be beneficial for the changeover of more complex administrative and technological systems. *However, this scenario is recommended as a last resort, and only if unexpected difficulties arise in implementing the first scenario.*

Scenario for the euro introduction in Bulgaria

A big bang scenario was chosen for the introduction of the euro in Bulgaria, i.e. the date of adoption of the euro coincides with the introduction of the euro as the official legal currency. This choice is determined by the structure of our financial system, as well as the size of our country.

Time periods for the adoption of the euro in Republic of Bulgaria

According to the current practice for the admission of a Member State to the euro area, the Council of the EU decides on the abrogation of the country's derogation and sets a fixed exchange rate of the national currency to the euro approximately six months before the date of membership. The conversion of prices and currency units from lev into euro will be carried out by applying the full numerical amount of the fixed exchange rate, i.e. using all five decimal places and then rounding the resulting amount to two decimal places in accordance with the mathematical rule. No conversion of prices at a rate other than the fixed exchange rate shall be permitted. No additional charges or commissions for the conversion shall be imposed on consumers.

One month⁶ after the Council of the EU takes the decision that Bulgaria meets the necessary conditions for the introduction of the euro and confirms the fixed exchange rate for conversion of lev into euro, a requirement for mandatory price display in leva and euro at the same time will come into force. This obligation will continue to apply for 12 months from the date of adoption of the euro.

During the first month from the day of the introduction of the single European currency in Bulgaria, the lev and the euro will be in circulation simultaneously and both currencies will have the status of legal tender. This means that if our country joins the euro area on 1st January 2025, up to and including 31st January 2025 the lev and the euro will be legal tender at the same time. After that one month, the lev will no longer be legal tender in Bulgaria.

The one-month transition period will help ensure a gradual transition to the new currency. During this one-month period, citizens will be able to pay in both currencies at retail outlets and service centres. Furthermore, retailers must return the change to their customers exclusively in euros, unless they are unable to do so for practical reasons. Thus, in practice, part of the levs in circulation will be exchanged through retailers and service providers, thereby providing another exchange channel for Bulgarian citizens. At the same time, pursuant to Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, a rule will be adopted according to which, within this transitional period, the trader will not be obliged to accept more than 50 coins in a single transaction with the buyer.

⁶ It is possible for the EU Council to decide to abrogate the derogation and fix the exchange rate later, for example two or three months before the introduction of the euro instead of the traditional six months before the adoption of the euro. In such circumstances, there may be a change in the timeframe for the entry into force of the dual display requirement.

During the first six months from the date of introduction of the euro, the banks in Bulgaria and "Bulgarian Post" EAD⁷ will exchange banknotes and coins from BGN into euro free of charge, and during the next six months they will be able to charge a fee for this service.

One year after the introduction of the euro, banks and Bulgarian Posts EAD will, at their discretion, provide the service for the exchange of banknotes and coins from the lev to the euro, and may introduce a fee for this service.

The Bulgarian National Bank will exchange BGN banknotes and coins for EUR banknotes and coins free of charge from the day of euro adoption for an unlimited period of time.

As of the date of Bulgaria's accession to the euro area, all current accounts, deposit accounts, budget accounts, savings accounts, fund-raising accounts, liquidation accounts, and other accounts with local banks, as well as payment accounts with other payment service providers (payment institutions and companies for electronic money) will be converted into euro once, automatically, and free of charge. There will be no transition period for these accounts. This means that from the first day of euro adoption, account holders will be able to withdraw only EUR from their BGN accounts, regardless of whether the withdrawal will be made via an ATM / POS device or in the office of the payment service provider (bank, payment institution or electronic money company). This is a quick and extremely convenient way to exchange levs for euros, without a special commitment for the account holder himself. From the first day of the euro introduction, non-cash payments will be made exclusively in euro.

Indicative Schedule of the Replacement of the Lev by the Euro

Preparations for the exchange of levs for euros before the euro changeover date

Measure	Start of measure	Duration of the measure	Responsible institution
The Council of the EU will adopt a decision according to which the Republic of Bulgaria meets the necessary conditions for the introduction of the euro and will confirm the exchange rate at which the conversion of levs into euros will take place	Approximately six months before the euro introduction date in Bulgaria		

⁷ Only in locations where there are no offices or branches of a credit institution.

Measure	Start of measure	Duration of the measure	Responsible institution
Choice of design for the national side of euro coins	Preparations have started. By a decision of the Governing Council of the BNB, a procedure for the design of the Bulgarian national side of the euro coins has been adopted and accepted for information by the Coordination Council		Bulgarian National Bank
Production of euro coins with Bulgarian national side	After the date of the EU Council decision on the introduction of the euro in Bulgaria		Bulgarian National Bank
Preparation of starter kits with euro coins with a Bulgarian national side for retailers and citizens	After the date of the EU Council decision on the introduction of the euro in Bulgaria		Bulgarian National Bank
Mandatory dual display of prices in BGN and EUR	1 month after the date of the EU Council decision on the euro introduction in Bulgaria	12 months from the date of euro introduction in Bulgaria	Ministry of Economy and Industry/ Consumer Protection Commission
Targeted information and communication campaign on the adoption of the euro in Bulgaria	15-12 months before the indicative date for the introduction of the euro in Bulgaria	6 months after the date of euro introduction in Bulgaria	Ministry of Finance/Bulgarian National Bank
Supplying banks with euro banknotes and coins with a Bulgarian national side (frontloading).	2 weeks before the date of euro introduction in Bulgaria		Bulgarian National Bank
Supplying merchants and Bulgarian Posts EAD with euro banknotes and coins with a Bulgarian national side (free of charge) (secondary frontloading)	2 weeks before the date of euro introduction in Bulgaria		Banks
Sale of euro coins and starter kits with euro coins with a Bulgarian national side to retailers and citizens	2 weeks before the date of euro introduction in Bulgaria	12 months from the date of euro introduction	Banks and Bulgarian Posts EAD

Measure	Start of measure	Duration of the measure	Responsible institution
Preparation for currency conversion of financial instruments by issuers of securities traded on a regulated market	6 months before the date of euro introduction in Bulgaria	Until the date of euro introduction in Bulgaria	FSC
Central Depository AD prepares for conversion of financial instruments, including adaptation of the maintained registers and the clearing and settlement systems	6 months before the date of euro introduction in Bulgaria	Until the date of euro introduction in Bulgaria	FSC
The Bulgarian Stock Exchange AD and all MTFs prepare for conversion of financial instruments, including updating of trading systems	6 months before the date of euro introduction in Bulgaria	Until the date of euro introduction in Bulgaria	FSC
Adaptation of information systems processing financial information of administrative authorities for work with the euro	Since the adoption of the National Changeover Plan and the attached Methodological Instructions to the administrative bodies on the adaptation of the information systems for work with euro	3 months before the date of euro introduction in Bulgaria	All administrative authorities

Period starting from the date of introduction of the euro in Bulgaria

Measure	Start of measure	Duration of the measure	Responsible institutions
Dual circulation of levs and euro as legal tender	The day of euro introduction in Bulgaria	1 month	Bulgarian National Bank
Supplying banks with euro banknotes and coins with a Bulgarian national side	The day of euro introduction in Bulgaria	indefinitely	Bulgarian National Bank
Automatic conversion into euro of BGN funds on accounts with the BNB, banks and other payment service providers, free of charge	The day of euro introduction in Bulgaria		Bulgarian National Bank, banks, payment institutions and

Measure	Start of measure	Duration of the measure	Responsible institutions
			electronic money companies
Physical exchange of Bulgarian banknotes and coins for euro banknotes and coins free of charge for the cash exchange service	The day of euro introduction in Bulgaria	6 months after the introduction of the euro in Bulgaria	Banks and Bulgarian Posts EAD (in locations where there are no offices or branches of a credit institution)
Physical exchange of Bulgarian banknotes and coins for euro banknotes and coins with the possibility of applying fees for the cash exchange service	6 months after euro introduction in Bulgaria	12 months after the introduction of the euro in Bulgaria	Banks and Bulgarian Posts EAD (in locations where there are no offices or branches of a credit institution)
Physical exchange of Bulgarian banknotes and coins for euro banknotes and coins with the possibility of applying fees for the cash exchange service	12 months after euro introduction in Bulgaria	At the discretion of the respective bank and Bulgarian Posts EAD	Banks and Bulgarian Posts EAD (in locations where there are no offices or branches of a credit institution)
Physical exchange of Bulgarian banknotes and coins for euro banknotes and coins free of charge for the cash exchange service	The day of euro introduction in Bulgaria	indefinitely	Bulgarian National Bank
Withdrawal of Bulgarian banknotes and coins from circulation		indefinitely	Bulgarian National Bank
Automatic conversion into euro of the nominal and market prices of financial instruments	The day of euro introduction in Bulgaria		CD, BSE, MTF

Schedule for the main activities for the introduction of the euro in Bulgaria in the field of banks, other payment service providers and financial institutions

Measure	Start of measure	Duration of the measure/Deadline	Responsible institution
Adaptation to the euro of the information systems of banks, non-bank providers of payment services (payment institutions and electronic money companies) and financial institutions (FIs) under Article 3a of the Credit Institutions Act.	Since the adoption of the National Euro Changeover Plan of Bulgaria	3 months before the euro changeover date.	Bulgarian National Bank
Dual display of information in BGN and EUR related to statements of basic banking documents and transactions: account balances, transfers, ATM withdrawals, tariff of fees and commissions, principal and interest payments related to loans and advances, interest on deposit accounts from the information systems of banks, non-bank payment service providers (payment institutions and electronic money companies) and financial institutions (FIs) under Article 3a of the Credit Institutions Act.	1 month from the date of the EU Council decision to introduce the euro in Bulgaria	12 months after the day of introduction of the euro in Bulgaria	Bulgarian National Bank
Banks prepare for the conversion of bank payment accounts and credit accounts, incl. all other including all other asset, liability and equity accounts	The date of the EU Council decision to introduce the euro in Bulgaria	The day of euro introduction in Bulgaria	Bulgarian National Bank
Preparation for currency conversion of payment accounts by payment institutions and electronic money companies	The date of the EU Council decision to introduce the euro in Bulgaria	The day of euro introduction in Bulgaria	Bulgarian National Bank
FI under Art. 3a of the Credit Institutions Act prepare for conversion of credit accounts, incl. all other accounts of assets, liabilities and equity	The date of the EU Council decision to introduce the euro in Bulgaria	The day of euro introduction in Bulgaria	Bulgarian National Bank
Preparation for conversion of the reference interest rates (base rates) from BGN to EUR	6 months before the indicative date of the EU Council decision on the	The day of euro introduction in Bulgaria	Bulgarian National Bank

introduction of the euro in Bulgaria

Banks and FIs publish the methodology for switching to interest rates in euro	The date of the decision of the Council of the EU to introduce the euro in Bulgaria	Bulgarian National Bank
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Preparation for the presentation of current reports for statistical, regulatory and public purposes in euro only. The Bulgarian National Bank will require banks and FIs to simulate the submission of reports to the BNB in euro before the date of its introduction	6 months before the indicative date of the EU Council decision on the introduction of the euro in Bulgaria	The day of euro introduction in Bulgaria	Bulgarian National Bank
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Schedule for the main activities for the introduction of the euro in Bulgaria in the field of the non-banking financial sector

Measure	Start of measure	Duration of the measure/Deadline	Responsible institution
Preparation for conversion of financial instruments, shares/units, liabilities, balances on all accounts	The date of the decision of the Council of the EU to introduce the euro in Bulgaria	The day of euro introduction in Bulgaria	FSC
Preparation for reporting to the FSC and presenting in euro to the general public of financial and accounting information, as well as of other information required and reported only for supervisory purposes. The FSC will require from the enterprises of the non-banking financial sector under its supervision a simulated submission of the reports and statements in euro before the date of euro introduction	6 months before the date of euro introduction	The day of euro introduction in Bulgaria	FSC
Dual display information in BGN and EUR related to: tariffs, customer account balances, information on fees and charges from the information systems of	1 month from the date of the EU Council decision to introduce the euro in Bulgaria	12 months after the day of introduction of the euro in Bulgaria	FSC

the non-bank financial sector companies.

Schedule for the main activities for the introduction of the euro in Bulgaria in the field of payment systems and other activities

Measure	Start of measure	Duration of the measure/ Deadline	Responsible institution
Accession of the BNB, banks, payment systems and securities settlement systems to the new consolidated TARGET services platform	Preparations started in April 2019	The measure was completed in March 2023	Bulgarian National Bank
Analysis, development and preparation of the necessary changes in the legal framework, payment and internal information systems of the BNB, BORICA AD and the banks, ensuring the transition of the lev interbank payments to settlement in euro on a consolidated TARGET services platform	Preparations have started	The date of the decision of the EU Council to introduce the euro in Bulgaria	Bulgarian National Bank
Analysis, development and preparation for migration of client payments, incl. budget ones, in BGN, to SEPA payments in EUR	Preparations have started ⁷	The date of the decision of the EU Council to introduce the euro in Bulgaria	Bulgarian National Bank / Ministry of Finance
Analysis, development and preparation of the necessary changes in the information systems for conducting government securities auctions, for information servicing of the state budget and in the systems servicing the Government Securities Depository. Legal and technical preparation for accession of the Government Securities Depository and Central Depository AD to TARGET2-Securities	Preparations have started ⁸	The date of the decision of the Council of the EU to introduce the euro in Bulgaria	Bulgarian National Bank / Ministry of Finance, Central Depository AD

⁷ Preparations are practically complete with regard to the introduction of the Single Euro Payments Area (SEPA) standards for customer payments, including budget payments in BGN (the latter from 1 October). Together with BORICA AD, a sub-project is underway to prepare the systems and business processes to ensure the same level of service for euro payments.

⁸ On 12.09.2023 the Depository for Government Securities at the BNB and CD AD migrated the settlement of euro-denominated securities to TARGET2-Securities (T2S),

Measure	Start of measure	Duration of the measure/ Deadline	Responsible institution
Analysis, development and preparation of the necessary technical and legal changes in statistical reporting and information systems in connection with the introduction of the euro	Preparations have started	The date of the decision of the Council of the EU to introduce the euro in Bulgaria	Bulgarian National Bank
Publication of the time series of statistical data, converted into euro and beginning of parallel publication of the current statistical data in BGN and in EUR; issuing of methodological instructions for reporting for statistical purposes in euro	3 months after the date of the decision of the Council of the EU on euro introduction in Bulgaria	The day of euro introduction in Bulgaria	Bulgarian National Bank
Analysis, development and preparation of necessary changes related to the implementation of data reporting under ECB Regulation 2016/867 of 18 May 2016 on the collection of sub-detailed credit and credit risk data (ECB/2016/13) and BNB requirements	Preparations have started	The date of the decision of the Council of the EU to introduce the euro in Bulgaria	Bulgarian National Bank
Testing changes to information systems adapted to work with the euro	According to systems priorities and approved schedules	3 months before the euro adoption date in Bulgaria	All institutions that are adapting systems to work with the euro

4 LEGAL FRAMEWORK OF THE EURO INTRODUCTION PROCESS

4.1 The euro in European Union legislation

The process of introducing the euro in an EU Member State is regulated mainly by the Treaty on the Functioning of the European Union, three regulations and one recommendation.

Treaty on the Functioning of the European Union

The Treaty on the Functioning of the European Union (TFEU) regulates the procedure for the introduction of the euro.

Pursuant to Article 140 (1) TFEU, at least every two years or at the request of a Member State with a derogation, the European Commission and the European Central Bank prepare reports reviewing the compatibility of the national legislation of the Member States with a derogation with Art. 130 and 131 of the TFEU, and with the Statute of the European System of Central Banks and of the European Central Bank. These reports also examine the achievement of a high degree of sustainable convergence according to the fulfilment of the economic criteria described in Article 140 (1) TFEU (Maastricht criteria) by a Member State with a derogation.

Pursuant to Article 140 (2) TFEU, the Council decides which Member States with a derogation fulfil the conditions for the introduction of the euro and abrogate the derogations of the countries concerned. Pursuant to paragraph 3 of the same Article, the Council, based on the unanimous decision of the Member States of the euro area and the Member State concerned, irrevocably fixes the exchange rate between the euro and the national currency of the Member State concerned and takes all other necessary measures to introduce the euro.

Council Regulation (EC) 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro

The Regulation stipulates that the introduction of the euro cannot have the effect of altering any term of a legal instrument⁹ or of discharging or excusing

⁹ According to Regulation (EC) No 1103/97, 'legal instruments' means legislative and statutory provisions, administrative acts, judicial decisions, contracts, unilateral legal acts, payment instruments other than banknotes and coins and other instruments having legal effect

performance under any legal instrument, nor give a party the right unilaterally to alter or terminate such an instrument. In other words, the changeover from the national currency to the euro does not give any contracting party the right to terminate a valid contract unilaterally or to change certain contractual provisions. Regulation (EC) 1103/97 also states that the exchange rate between the national currency and the euro should be expressed in six digits, as in the case of the Bulgarian lev this means the five figures after the decimal point, using the exchange rate in its entirety, without truncation or rounding. The specific rules for rounding the exchange are set out in the principle "Conversion from BGN to EUR", described in Chapter II.

Council Regulation (EC) 974/98 of 3rd May 1998 on the introduction of the euro and Council Regulation (EC) 2169/2005 of 21 December 2005 amending Regulation (EC) 974/98 on the introduction of the euro

Regulation (EC) 974/98 on the introduction of the euro governs the substitution of the euro for the national currencies of the Member States. The legal act provides for the right of the countries that have adopted the euro to issue coins that have the status of legal tender in all euro area Member States. It is stated that, with the exception of the central bank and the persons specifically designated by the national legislation of the issuing Member State, no person is obliged to accept more than 50 coins in any single payment. Banknotes and coins denominated in a national currency unit may remain legal tender within the territorial boundaries of the country no later than six months after the end of the transitional period, which may be shortened by the national law.

Regulation (EC) 2169/2005 amending Regulation (EC) 974/98 provides for the possibility for Member States to choose the scenario for the euro introduction and the length of the transitional period. Provision is made for credit institutions in the Member States concerned to exchange their clients' banknotes and coins denominated in the national currency for euro banknotes and coins **free of charge** during the transitional period up to an amount which may be determined by the national law.

Council Regulation (EC) 2866/98 of 31 December 1998 on the conversion rates between the euro and the currencies of the Member States adopting the euro

Regulation (EC) 2866/98 on the conversion rates determines the fixed conversion rates between the euro and the currencies of each of the countries which have first adopted the euro. The Regulation shall be amended whenever the Commission irrevocably fixes the conversion rate between the euro and the national currency of each new Member State adopting the euro.

The most recent amendment to Regulation (EC) No 2866/98 is Council Regulation (EU) No 2022/1208 of 12 July 2022 amending Regulation (EC) No 2866/98 as regards the exchange rate to the euro for Croatia.

Commission Recommendation of 10 January 2008 on measures to facilitate the future changeovers to the euro (notified under document number C (2007) 6912)

The Recommendation provides additional useful information on the practical measures that Member States should take in order to adopt the euro seamlessly and smoothly. It provides guidance on the organization of the currency changeover, including the preparation of a National Euro Changeover Plan, facilitating the preparation of citizens to replace the national with the single European currency by providing detailed information on the process, and recommends specific actions to ensure a rapid introduction of the euro in cash and the prevention of abuse.

4.2 The euro in the national legislation

Changes in the Bulgarian legal framework in connection with the introduction of the euro

The introduction of the euro as the official currency will require certain changes in the Bulgarian legislation to ensure legal certainty and create conditions for a smooth and seamless transition to the new currency. The experience of the Member States that last adopted the euro demonstrates that a law regulating common issues related to the single European currency is usually adopted in the period before the date of euro area accession. The law should regulate the principles to be observed during the process of euro introduction, such as the principle of the continuation of the effect of existing contracts and other legal instruments. The law will regulate the date of accession to the euro area, fix the length of the period of dual circulation of the two currencies, and the period of dual display of prices, measures to protect consumers, etc.

In addition to the adoption of a Law on the introduction of the euro in the Republic of Bulgaria (hereinafter "the Euro Act"), In order to fully adapt Bulgarian legislation to the euro, a number of laws and regulations will need to be amended - including those on public finances, payment services, the tax system, the capital market, the financial system and commercial law. Some of these changes will be made in the transitional and final provisions of the Euro Act.

It is important to note that legal acts that contain numerical values in levs do not need to be amended in the period until the introduction of the euro, as the Euro Act will provide for the automatic conversion of amounts from levs to euros - i.e., amounts in levs will mean the same amounts in euros divided by the irrevocably

fixed exchange rate between the lev and the euro. The legal provisions which specify specific amounts/values in levs will only be adapted to the new currency when further amendments and/or additions to them are necessary. An exception is made only when a monetary amount in Bulgarian levs is specified in a law as a result of the transposition into Bulgarian law of an EU legal act which explicitly specifies a corresponding amount in euro.

Legal convergence in accordance with the regulatory framework of the EC and the ECB

In the 2022 Convergence Reports of the European Commission and the European Central Bank, the two European institutions review Bulgarian legislation in terms of inconsistencies and non-compliances noted in the previous 2020 reports. In response, amendments to the BNB Act and the Counter-Corruption and Confiscation of Unlawfully Acquired Assets Act were adopted and entered into force at the end of 2022 to strengthen the personal independence of the central bank. The ECB has been consulted on these amendments and a positive opinion has been received.

In order to fully comply with the specific requirements of the ECB and the Eurosystem in the areas of monetary policy, foreign exchange reserves, statistics, payment systems, banknote issuance, selection of auditors, financial reporting, exchange rate policy, international cooperation, etc., a new draft Law on the Bulgarian National Bank has been developed.

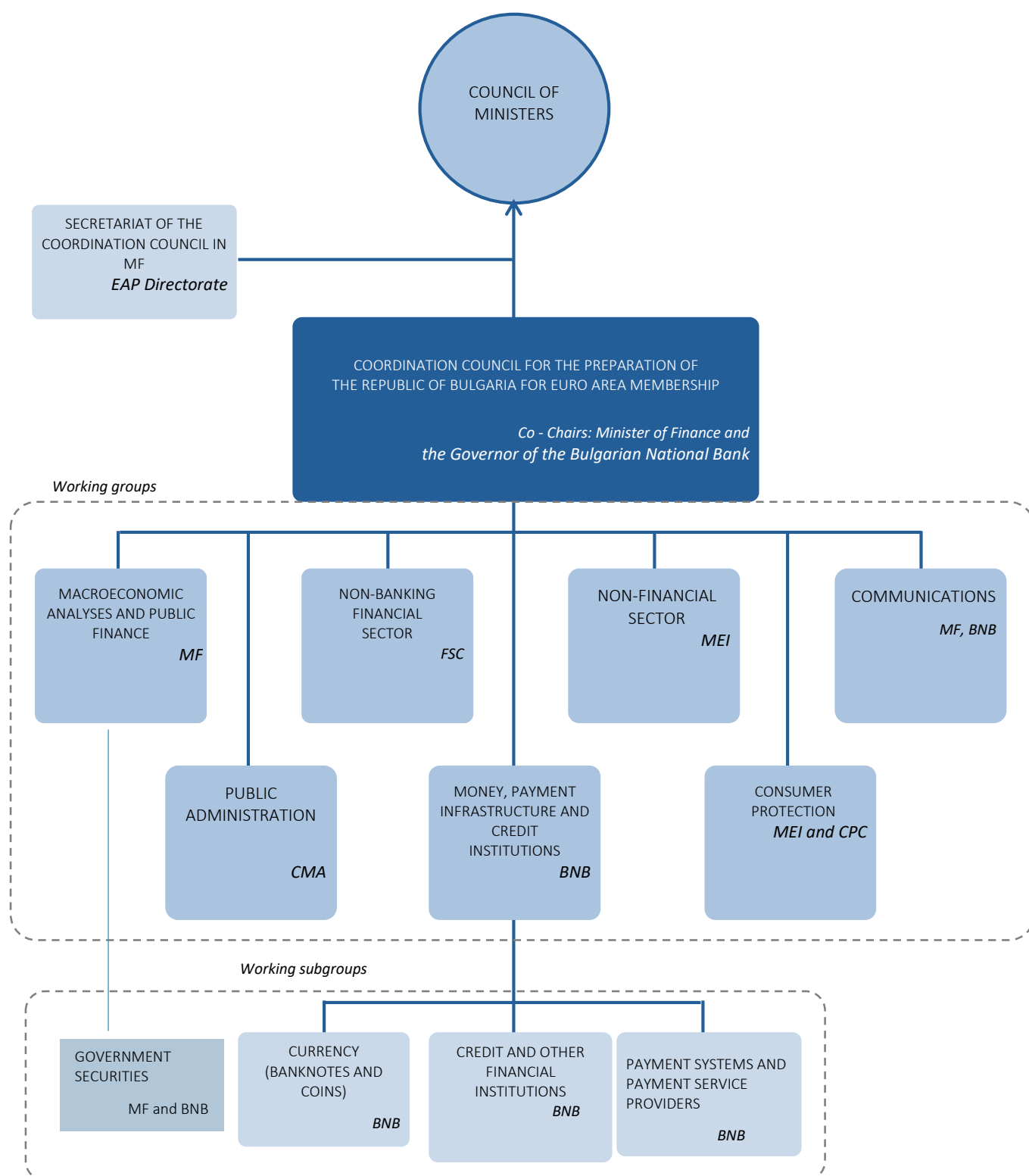
5 COORDINATION OF THE PREPARATION PROCESS FOR THE INTRODUCTION OF THE EURO

The coordination of Bulgaria's preparation for the introduction of the euro is regulated in Decree No. 168 of the Council of Ministers of 2015 establishing a Coordination Council for the preparation of the Republic of Bulgaria for membership in the euro area (hereinafter referred to as “the Council”). Namely the Council is responsible for organizing, coordinating and monitoring the practical preparations of the Republic of Bulgaria for euro area membership. The Council is also responsible for the development, implementation and, if necessary, for the updating of Bulgaria’s National Euro Changeover Plan. Its functions also include the approval of documents, activities and initiatives related to the practical preparations for the adoption of the single European currency, as well as the periodic reporting to the Council of Ministers on the progress of the preparations. The Council was established in 2015, and its activity was resumed after the accession of the Bulgarian lev to the Exchange Rate Mechanism II.

The Council is chaired jointly by the Governor of the Bulgarian National Bank and the Minister of Finance, as the latter is the national coordinator of the preparation of Republic of Bulgaria for membership in the euro area. Members of the Council are:

- The heads of the expert working groups that support the work of the Council and whose scope of activities is described below, including the Deputy Governors of the BNB and a member of the FSC;
- Deputy Minister of Foreign Affairs;
- Deputy Minister of Justice;
- Deputy Minister of the Interior;
- The Chairman of the National Security State Agency;
- Deputy Minister of Transport and Communications;

Institutional mechanism for the preparation of the Republic of Bulgaria for membership in the euro area



In addition to the members of the Council, at the invitation of the two co-chairs, representatives of other state and municipal bodies and institutions, non-governmental organizations and businesses that could contribute to the issues under consideration, may participate in its meetings.

The Council is expertly assisted by working groups and sub-groups which, within their respective competences, directly carry out the practical preparations for euro area membership. The list of members of the working groups and subgroups is determined by an Order of the Minister and/or the head of the leading administration/institution on the respective matter. The working groups and subgroups may also include representatives of the social partners, non-governmental organizations involved in the work of the Council, academia and business organizations. Existing working groups may be established or modified, and temporary working groups may be established, by decision of the Council. The working groups and sub-groups currently established are:

1) *Macroeconomic Analyses and Public Finance Working Group*

The leading institution in this working group is the Ministry of Finance (MF), with the Deputy Minister of Finance as its chair. The main responsibilities of the working group include coordination and preparation in the field of public finance - budgeting, statistics, accounting, payments in euro from/to budget organizations, etc.

Government Securities Working Sub-Group

Chaired by the Deputy Minister of Finance and Deputy Governor of the BNB, the Working Sub-Group (WSG) is responsible for the conversion of Government Securities (G-Sec) from levs to euros, the adaptation of the regulatory framework in relation to the conversion of G-Sec from levs to euros and the overall coordination of the alignment with the regulatory framework of:

- 1) the systems for the acquisition, registration, redemption and trading of Government securities established and maintained by the Bulgarian National Bank on the basis of Article 35, par. 1, items 1, 2 and 3 of the Government Debt Act (GDA);
- 2) the registers and individual accounts kept by the participants in the system referred to in point one;
- 3) the trading venues to which the Government Securities issued under the Obligations and Contracts Act are admitted.

2) *Public Administration Working Group*

This working group is led the Council of Ministers Administration (CMA), which is chaired by the Secretary General of the CMA. This working group is re-

sponsible for preparing the administration to operate with euro by preparing guidelines/trainings, including trainings by competent institutions, for seamless exchange of levs for euros, as well as for the adaptation of the information systems used at national and municipal level to the new currency, etc.

3) *Non-banking Financial Sector Working Group*

Led by the Financial Supervision Commission (FSC) and chaired by a member of the FSC, this working group is responsible for activities related to the adoption of the euro by the non-banking financial sector, including the conversion of financial instruments from BGN to EUR, adaptation of clearing systems and settlement of securities to the euro and the reorganization of information systems, accounting, financial and non-financial information, etc.

4) *Currency, Payment Infrastructure and Credit Institutions Working Group*

The leading institution in this working group is the Bulgarian National Bank. Its responsibilities are divided among three subgroups:

Currency (banknotes and coins) Working subgroup

Chaired by a Deputy Governor of the BNB, the subgroup is responsible for the design of Bulgarian euro coins, the adaptation of ATM software to operate in euro, as well as the provision of euro currency to financial institutions and the withdrawal of the lev currency, as well as other activities within the Issue Department.

Credit and other financial institutions Working subgroup

Chaired by a Deputy Governor of the BNB, this working subgroup is responsible for activities in the Banking Supervision Department related to the preliminary analysis of the requirements and coordination of the training of supervised entities, including the reorganization of accounting systems, financial statistics, and documentation for operating in euro.

Payment systems and Payment service providers Working subgroup

Chaired by a Deputy Governor of the BNB, this subgroup is responsible for adapting the payment systems, the system for registration and settlement of government securities, and the accounting systems servicing the activities of the BNB, to operate in euro, as well as for the preliminary analysis of the requirements and the coordination of the preparation of the supervised entities, and other activities within the scope of the Banking Department.

The working subgroup will also deal with issues arising from the transition to budget payments in euro (payments of public receivables, payments in SEBRA and other budget payments), and one of the main focuses of this activity will be issues

related to SEPA compliant payments to accounts of public receivables administrators. The participation of representatives of the Ministry of Finance, the National Revenue Agency, the Customs Agency and other public institutions related to the process of administering public receivables in this activity is coordinated by a Deputy Minister of Finance.

5) *Non-financial sector Working Group*

Chaired by a Deputy Minister of Economy and Industry, the working group is responsible for the smooth introduction of the euro in the activities of non-financial enterprises by preparing guidelines for correct conversion of prices from BGN to EUR, for tax reporting and accounting in the period when both currencies will be an official means of payment; to adapt the accounting, logistics, commodity and other systems to operate in euro, etc.

6) *Consumer Protection Working Group*

Led by the Ministry of Economy and Industry and the Consumer Protection Commission and chaired by a Deputy Minister of Economy and Industry, it is responsible for the preparation and implementation of measures to protect consumers, including consumers of financial products and services, in the process of introducing the euro, it monitors the conversion of prices from BGN to EUR in order to prevent the unethical practice of traders to round prices upwards and initiates a campaign for "fair introduction of the euro", etc.

7) *Communications Working Group*

Led by the Ministry of Finance and the BNB and chaired by the Deputy Minister of Finance, the Working Group is responsible for raising public awareness on issues related to the single European currency through the development and implementation of a Communication Strategy for Information and Publicity on Bulgaria's accession to the euro area, including planning, organizing and conducting an information and communication campaign on the introduction of the euro in Bulgaria, and organizing the creation and maintenance of an information website.

6

PREPARATION FOR THE ADOPTION OF THE EURO BY AREA OF ACTIVITY

6.1 Public administration and public finance

The preparation of the public administration and public finance for the euro change-over is one of the main preconditions for the smooth and trouble-free introduction of the euro in the country. The operational work will be organized, implemented and controlled by two working groups assisting the Coordination Council for the preparation of the Republic of Bulgaria for its membership in the euro area – Macroeconomic Analyses and Public Finance Working Group, as well as Public Administration Working Group.

Conversion of revenues and expenditures under the consolidated fiscal program and preparation/adoption of the state budget for 2025

All revenues and expenditures under the consolidated fiscal program, as well as all government assets and liabilities, arising before the introduction of the euro, will be converted from BGN to EUR in accordance with the established rules for conversion when Bulgaria joins the euro area. This will take place on the day of the introduction of the euro, without a transitional period, and will be regulated in the applicable legislation.

All payments to and from the budget are to be made in euro from the day of adoption of the euro as legal tender. Exceptions to this rule are cash payments to the budget in the period of dual circulation of the lev and the euro, when it will be possible to perform these operations in both currencies.

Taxes, compulsory social security contributions and other public debts

With the introduction of the euro, all taxes, fees and other payments to the state and municipalities must be made in EUR. An exception to this rule will be made in the period of dual circulation of the lev and the euro, i.e., one month from the date of introduction of the euro.

Tax liabilities and compulsory social security contributions in various certificates, audit acts, etc. for tax periods beginning after the date of Bulgaria's membership in the euro area, as well as for those beginning before the date of membership and ending thereafter, should be denominated in euro.

Defaults and overpayments of taxpayers in BGN, accumulated before the introduction of the euro, will be converted into euro from the date of Bulgaria's accession to the euro area.

Legal acts such as tax audit acts, decisions to extend the payment period, etc., which were adopted but not implemented before the introduction of the euro and which affect the lev, will continue to be in force, with the amounts in levs automatically being converted in euro according to the conversion and rounding rules described above in the Plan.

Determining the amount of statutory interest on overdue monetary obligations

Prior to the introduction of the euro, the methodology for determining statutory interest on arrears will be adapted.

Government securities (GS)

Upon Bulgaria's accession to the euro area, all government securities will be converted from levs into euros. It should be underlined that in the structure of the general government debt only about 28% is denominated in levs as of the end of 2022, with the share of government securities accounting for 98.8%. Moreover, upon joining the euro area, the Bulgaria should become a full member of the European Stability Mechanism. As such, our country is obliged to introduce identical and standardised Collective Action Clauses in the terms and conditions of all newly issued government securities with a maturity of more than one year. The manner of implementation of these clauses should be further specified.

Accounting when adopting the euro

With a view to defining a uniform procedure for accounting for the changeover to the euro, the future Law on the introduction of the euro in the Republic of Bulgaria (Euro Act) and/or other legal acts will adopt regulatory changes related to:

- Preparation of accounting supporting documents, accounting records and financial statements, where the valuation is in BGN;
- Procedures for converting the capital and shares of companies into euro;
- Rounding procedures in accounting supporting documents, accounting records and financial statements;
- Procedures for registration of cash register transactions during the transitional period in which payments in BGN and EUR are accepted.

With the introduction of the euro, economic and public entities should prepare their financial statements in the new currency. In the 2025 statements, any data concerning a prior period should be converted into euro.

The amounts in the declarations and forms that citizens and legal entities will fill out after the introduction of the euro, and which relate to tax and other liabilities to the state or receivables from the state for the period preceding the year of introduction of

the euro, will be in Bulgarian leva. However, payments based on these liabilities and receivables will be made in euro, with the amounts being converted into the new currency at the official fixed exchange rate.

Statistics

The National Statistical System (National Statistical Institute, statistical bodies and the Bulgarian National Bank), which is the source of official statistics in the country, will adapt its procedures for collecting, processing and compiling statistics using the euro. In this way, the National Statistical System (NSS) will be prepared for the publication of new statistics and the recalculation of old statistics from the beginning of the respective series of data in euro. Clear rules for the preparation and dissemination of statistics, including reports for the media, statistical publications, etc., will also be laid down during the dual display period. The statistical information for the reporting year 2024 should be in BGN, and from the date of adoption of the euro it should be in EUR.

In addition to recalculating existing time series of statistical data, the NSS will have to collect, process and publish data that has not been systematically monitored so far. The European Commission (Eurostat) and the ECB have set out additional reporting requirements for euro area countries in their statistical legislation. These requirements are related to the production of data at a more disaggregated level and with shorter deadlines for data submission, and in some cases to the establishment of entirely new statistical surveys. All this will require adjustments in many data collection and processing systems, as well as the creation of new ones.

All activities and changes must be harmonized with the current European and national legislation and should be recorded in the Strategy for Development of the National Statistical System for the period 2021 - 2027, as well as in the National Statistical Program for the respective reference years.

Information systems

The introduction of the euro affects all information systems (IS) at national and municipal level, which operate with currency units and process financial information. In this regard, the IS of administrative authorities, public companies and other organizations should be adapted to operate with euro in a timely manner, and their readiness for the euro changeover will be ensured by the relevant ministries, departments and institutions within their area of competence. The following steps should be taken to ensure that the IS adapt smoothly to the euro:

- Implementation of the methodological instructions for administrative authorities for adapting information systems to work with the euro, given as an annex to this National Changeover Plan. The methodological instructions have been drawn up on the proposal of the Public Administration WG of the Ministry by the Ministry of Electronic Governance and other competent bodies and include

a mechanism for assessing the effectiveness and efficiency of possible solutions (e.g., to assess whether it is more efficient to adapt the existing software or simply to buy new euro-compatible versions);

- In accordance with the methodological instructions of the Plan, the administrative authorities should plan the necessary activities for the adaptation of information systems in the annual plans for the renewal of information resources in their administration.
- Euro compatibility of all information systems that will be affected by the change of currency should be achieved. For this purpose, the administrative authorities will take the necessary actions for the implementation of the activities for upgrading / development of their information systems, which currently are not compatible with euro. The administrative authorities should carry out the adaptation of their information systems through the planning mechanism of the information resources in the administrations provided for in the Electronic Governance Act (EGA).
- Each administrative authority should draw up and keep up-to-date a Plan for Adaptation to the Euro of IS (PAEIS), which should include the data described in the Methodological Instructions. Administrative authorities shall submit their PAEIS to the Public Administration WG for aggregation.
- A regulatory requirement will be introduced when creating or upgrading an information system that operates with currency and ensure its compatibility with the euro.
- At least three months before the introduction of the euro, the information systems should be able to show and perform euro transactions and/or lev-to-euro conversion operations. In this way, continuity of public IS should be ensured during the dual display period.
- Most public sector information systems maintain large databases containing information in national currency. In many cases, data can continue to be stored in the national currency and can only be converted if further processing is required. There will be cases in which the transformation of the stored data will probably be necessary. For cases where data conversion is required, the original data should be archived in accordance with data protection principles.

Contracts to which the state is a party

The rules regarding the contracts, incl. international treaties to which the state is party and which will continue to be in force after 31 December 2024 or whose term has expired, but payments are to be made after the introduction of the euro, must be settled much earlier. The conditions under them, both with regard to payments and with regard

to the exchange of information, should be brought into line with the introduction of the euro and the irrevocably fixed exchange rate between the euro and the lev.

The establishment of international agreements, which include commitments with payments in BGN or BGN equivalent and assessment of the need for their renegotiation with the other party/parties to the contract is the responsibility of the leading institution, which is competent in the subject and implementation of the contract. This institution will be also responsible for taking action to renegotiate the relevant clauses.

Administrative service

The administrative authorities responsible for making payments to citizens in connection with the satisfaction of their statutory rights should adapt the content of the template documents and the acts they issue containing financial information as soon as possible after the irrevocably fixed exchange rate between the euro and the lev has been established.

Municipal activities

Municipal administrations have a key role to play in ensuring a successful change-over to the euro due to the nature of services they provide to citizens. Municipalities should be prepared to ensure the seamless and smooth application of the euro in all public services they manage, including through amendments to legislative instruments. This is done in order to avoid the increase of prices in the sectors of public administration and public services within the competence of the municipalities.

In the municipal administrations, the IS processing financial information should also be adapted to work with the euro, in accordance with the methodological instructions in the Annex.

Training

The currency changeover and the corresponding changes in the information systems require the conduct of appropriate training for employees, which have to be organized long enough before the introduction of the euro. The trainings are a prerequisite for improving the awareness and knowledge of the public administration. To this end, expert consultations will be held in advance and training needs will be analysed and studied in order to achieve a good level of competence of the administration and awareness of public sector stakeholders related to the currency changeover. The trainings will be in different formats, as their scope and intensity will depend on the extent to which the changeover affects the employees in question. Civil servants and other public sector employees whose work will be directly affected by the adoption of the euro, and/or those who work on a daily basis with cash, will be trained by specialized lecturers. Special explanatory materials will be prepared for other staff to provide information on the main legal and regulatory aspects of the euro and the impact of currency change on the work

of the public sector and citizens. Many of the employees working in the district and municipal administrations are in daily contact with the citizens and are the primary source of information about the changeover. The trainings will also be conducted in electronic and hybrid form. Activities such as conferences, seminars or exhibitions will also be held to raise employee awareness.

6.2 Money, payment infrastructure and credit institutions

Measures, activities and responsible persons in the field of banknote and coin exchange

A. General Provisions

Selected scenario for the introduction of the euro – euro banknotes and coins acquire the status of legal tender on the day of the introduction of the euro in the Republic of Bulgaria.

Period of dual circulation of lev and euro – one month from the euro introduction day.

The main goal of the process of replacing the Bulgarian lev with the euro is to achieve the necessary goal with regards to compliance with the principles of efficiency, security, timeliness and speed, optimal allocation of resources, transparency and awareness of the whole society.

The currency changeover process is extremely complex and requires the involvement of both public and state bodies, as well as private companies (banks, companies that are professionally engaged in the processing and transportation of banknotes and coins, retail chains, shops, exchange offices and others).

During the first month of adopting the euro, the lev and the euro will be in circulation at the same time, and after this period, the euro will be the only official currency. During this period, all legal entities and individuals will be able to make cash payments in both currencies. For their part, retailers have to return the change to customers only in euro. In order to avoid a situation in which retailers will bear the main burden of the exchange of the lev to the euro, a restriction has been introduced (*Council Regulation 974/98*), according to which during this transitional period the trader will not be obliged to accept more than 50 coins in BGN from the buyer in one transaction.

After one month of its adoption, the euro will be the only official currency in the Republic of Bulgaria.

The majority of transactions for the exchange of banknotes and coins from lev to euro will take place in the first month after the introduction of the euro.

The Bulgarian National Bank will exchange lev and euro banknotes and coins free of charge, indefinitely.

Banks will provide the service for conversion of banknotes and coins from lev to euro as follows:

- During the first six months after the introduction of the euro, the banks will exchange unlimited quantities of banknotes and coins from levs into euro free of charge, while also requiring a prior request of 3 working days ahead of time for amounts exceeding BGN 30 000 per transaction;
- from six months to one year after the introduction of the euro, the banks will exchange banknotes and coins from levs to euro, while also being able to introduce a fee for the service;
- after the elapse of one year from the introduction of the euro, the banks may, at their discretion, offer the service of exchanging banknotes and coins from lev to euro, while also being able to introduce a fee for the service.

Bulgarian Posts EAD¹¹ will provide the service for the exchange of banknotes and coins from lev to euro only in locations where there are no main or branch offices of a credit institution, as follows:

- during the first six months after the date of introduction of the euro, the postal service will exchange banknotes and coins from levs into euro free of charge, up to a maximum amount of 10 000 BGN per person per day, while also requiring a prior request 3 working days ahead of time for amounts between 1 000 BGN and 10 000 BGN;
- from six months to one year after the introduction of the euro, they will exchange banknotes and coins from lev to euro, while also being able to introduce a fee for the service;
- after one year from the introduction of the euro has elapsed, they may, at their discretion, offer the service of exchanging banknotes and coins from lev to euro, while also being able to introduce a fee for the service.

The cash exchange will be performed by applying the fixed exchange rate adopted by the Council of the EU. The fixed exchange rate will be expressed in six digits, and in the case of the Bulgarian lev this means five figures after the decimal point, without rounding or shortening the exchange rate when performing the conversion.

The conversion of bank accounts from BGN to EUR will take place on the day of the introduction of the euro. All funds in BGN on current, deposit, savings and other accounts in local banks and other payment service providers will be converted into euro free of charge on the day of the introduction of the euro. Therefore, in the months following the decision of the EU Council that Bulgaria meets the conditions for adopting

the euro and before the day of introduction of the euro, citizens will be invited to deposit as many lev banknotes and coins as possible in their bank accounts. As of the euro introduction day, all non-cash payments will be made only in euro.

The competent authorities will enact a number of measures to protect consumers from violations in the process of conversion of lev into euro.

B. Necessary changes in the legal framework in the field of banknotes and coins

- 1) The following legal changes need to be adopted:
 - preparation of a new Law on the Bulgarian National Bank;
 - repeal of the Law on Redenomination of the Bulgarian Lev;
 - amendment of all laws, which include commitments of payments in BGN or BGN equivalent.
- 2) The following amendments to BNB ordinances need to be adopted:
 - amendment of Ordinance No. 18 of the BNB of 2019 on quality control of banknotes and coins in circulation;
 - repeal of Ordinance No. 24 of the BNB of 1999 on the exchange of old banknotes and coins with new banknotes and coins in connection with the redenomination of the lev;
 - depending on the approach to adopting the necessary legal framework, the BNB may issue a new ordinance on the exchange of BGN and EUR banknotes and coins;
 - repeal of Ordinance No. 39 of the BNB of 2019 on the face value, content, form and design of banknotes and coins put into circulation.

Measures, activities and responsible actors in the field of activity of credit institutions

A. General Provisions

Mandate of the BNB

The BNB's obligations in relation to credit institutions, other payment service providers and financial institutions in the country stem from its mandate to regulate and supervise banking and payments.

B. Main directions in relation to the changes

Conversion of funds in accounts and deposits

The conversion of lev into euro in bank and other payment service provider accounts will take place on the day of the introduction of the euro. All funds in BGN on current, savings, custodian and other accounts in local banks and other payment service providers will be converted into euro one-off and free of charge on the day of the euro adoption.

If the agreed upon interest rate on the deposit is fixed, the bank should continue to apply a fixed interest rate after the euro introduction.

The transferral mechanism from a fixed interest rate in BGN to a fixed interest rate in EUR should not lead to less favourable conditions or results for the parties to the transaction – both for the client and for the bank. In this regard, the transition from a fixed interest rate in BGN to a fixed interest rate in EUR should be determined according to the bank's methodology, ensuring that the resulting interest payment in EUR is equivalent to that in BGN at the date of conversion.

If the deposit is contracted with a variable interest rate, this parameter will be modified in a manner regulated by the provisions of the Euro Act. The transition from a variable interest rate in BGN to a variable interest rate in EUR should be determined according to the bank's methodology, ensuring that the resulting interest payment in EUR is equivalent to that in BGN at the date of conversion. Unlike with cash, where conversion is a relatively time-consuming and logistically more difficult task, money held in bank accounts and payment accounts with other payment service providers will be converted into euro immediately, without the need for a transition period. In the months before the introduction of the euro, citizens will be invited to deposit as many lev banknotes and coins in bank accounts as possible. Given that all funds in BGN on the accounts will be converted into euro on the day of euro introduction, as of this day, transactions of non-cash payment will be made exclusively in euro.

Currency conversion of loans

From the euro introduction day, all loans originally granted in BGN or loans with a currency clause in EUR will be considered loans in EUR. Currency conversion may not be used as a condition for renegotiation of clauses already concluded between banks and their clients or as a basis for other similar actions by banks in relation to their clients, which would put the latter in a less favourable financial position compared to their position before the conversion. The same will apply to non-bank financial institutions that provide loans to customers.

The introduction of the euro does not require changes to existing loan agreements regardless of whether they are loans in levs, or loans with a currency clause in euro, as the issue of their conversion will be regulated by the Euro Act. In particular, the Euro Act will stipulate that credit agreements remain in force and the amounts denominated in levs in these agreements will be considered as amounts in euro, converted at the fixed exchange rate expressed to the fifth decimal place, without any compensation for debtors. If the agreed upon interest rate on the loan is fixed, the bank should continue to apply a fixed interest rate after the introduction of the euro.

The mechanism for shifting from a fixed interest rate in BGN to a fixed interest rate in EUR should not lead to less favourable conditions or results for the parties to the transaction – both for the client and for the bank. In this regard, the transition from a fixed interest rate in BGN to a fixed interest rate in EUR should be determined according to the bank's methodology, ensuring that the resulting interest payment in EUR is equivalent to that in BGN at the date of conversion.

If the loan has a variable interest rate, this parameter will be modified in a manner regulated by the provisions of the Euro Act. The transition from a variable interest rate in BGN to a variable interest rate in EUR should be determined according to the bank's methodology, ensuring that the resulting interest payment in EUR is equivalent to the interest payment in BGN at the date of conversion.

In this regard, the financial condition of the debtor should not be a reason for deterioration of interest rate parameters under the contract. The change of the reference interest rates from BGN to EUR should be done in a sufficiently reasonable and transparent way, which does not aggravate the financial condition of the clients and does not lead to additional costs compared to the interest costs that the client would incur in BGN equivalent of his obligation.

Banks and other financial institutions will have to inform their customers in advance about the upcoming changes (for example three months) before the official transition to the euro, incl. by publishing the interest rate recalculation algorithm on their websites.

Currency conversion at a rate other than the fixed exchange rate is not permitted. Reverse exchange rate conversion (indirect quotation) will not be allowed.

Currency conversion of securities and other financial instruments

From the euro introduction day, all government securities originally denominated in BGN are to be automatically converted into EUR. Despite the predominant volumes of government debt being in the balance sheets of banks and financial institutions, there are other forms of debt investments denominated in BGN – mostly investments in primary and subordinated debts (bonds) issued by financial and non-financial companies on the Bulgarian market, and investments in stocks of Bulgarian companies registered with the Central Depository. The value of investments in such securities should also be converted into euro, including the accumulated reserves from fair value revaluation and amortization of debt instruments. The change in the nominal value of debt securities and stocks in the central securities register is to be made by the Central Depository. The effective interest rate in BGN, which the bank initially set to reflect the acquisition price of the bonds and the amortization of the principal during the investment period, is maintained, as long as this percentage is not influenced by the currency of the investment.

If the agreed upon interest rate on securities or other financial instruments is fixed, the issuer should continue to apply a fixed interest rate after the introduction of the euro.

The transferral mechanism from a fixed interest rate in BGN to a fixed interest rate in EUR should not lead to less favourable conditions or results for the parties to the transaction. In this regard, the transition from a fixed interest rate in BGN to a fixed interest rate in EUR should be determined according to the methodology of the issuer of the instrument, ensuring that the resulting interest payment in EUR is equivalent to that in BGN at the date of conversion.

If the securities or other financial instruments have a variable interest rate, this parameter will be modified in a manner regulated by the provisions of the Euro Act. The transition from a variable interest rate in BGN to a variable interest rate in EUR should be determined according to the issuer's methodology, ensuring that the resulting interest payment in EUR is equivalent to the interest payment in BGN at the date of conversion.

Similar provisions apply to contracts, which, by their economic nature, are derivative instruments, where the change in the conditions referring to the lev should be subject to the principles above and the provisions of the Euro Act.

Currency conversion of shareholdings in companies

Banks should make the necessary changes in their accounting systems in order to reflect the change in the reporting currency of their investments in shares of the capital of financial and non-financial companies registered in the Republic of Bulgaria. The recording of the changes in the nominal value of the shareholdings in the capital of companies from BGN to EUR is a consequence of the respective changes that will be made on the account of the respective company in the Commercial Register, but the two processes should be done in parallel and the change in reporting of shareholdings should be provided for in a sufficiently convenient period of time. The change in the reporting currency from BGN to EUR is not a reason to change the method of accounting the value of these investments – in this aspect banks and financial institutions should continue to comply with the requirements set out in the applicable accounting standards.

Collateral

Changes in the nominal value of collateral pledged/mortgaged in favour of banks and financial institutions should be automatically recorded through the register of special pledges and/or the Property register. In order to protect the interests of the persons who have created the security, no other changes in the value of the pledged/mortgaged property are allowed as a result of the automatic conversion from levs to euros - i.e. the exchange of levs for euros should not be used as a basis for a change (either an increase or decrease) in the value of the security. Changes in the value of collateral pledged to banks and financial institutions are allowed outside the case of automatic exchange of levs for euro, subject to the applicable accounting framework and with appropriate documentation and justification.

Reports of subsidiaries

Banks and financial institutions should plan the necessary steps to reflect the replacement of the lev with the euro in relation to the reports prepared by their subsidiaries in order to ensure a uniform approach and comparability in the analysis of their performance, as well as to ensure uniform methodology with a view to consolidating the performance of these companies in the balance sheets of the parent companies. Banks take the necessary steps to ensure the same principles for the protection of clients' interests and comparability with regard to subsidiaries that prepare their own financial statements.

C. Necessary changes in the legal framework for banks, other payment service providers and financial institutions

Amendments to the European legal framework

The Bulgarian National Bank will take action to identify and inform the official bodies in the EU (European Commission, European Parliament, Council of the EU) about the need to update the applicable European legislation (EU regulations, directives and directly applicable delegated implementing standards) regarding of the parts of the legislation referring to the currency "Bulgarian lev" and the replacement of these parts with the "euro" currency.

Amendments to the national legal framework

The Bulgarian National Bank has prepared proposals for legislative changes to update the Credit Institutions Act and the Payment Services and Payment Systems Act. The Bulgarian National Bank will take steps to update its regulations by the euro adoption date.

Measures, activities and responsible persons in the field of payment systems and other activities

A. General Provisions

According to Art. 2, par. 4 of the Law on the Bulgarian National Bank, the central bank is responsible for the organization, maintenance and development of payment systems in the country, assisting in the creation and operation of efficient payment systems and supervising them. Changes in the infrastructures of the financial markets are an important part of the preparations for the introduction of the single European currency and Bulgaria's accession to the euro area. To this end, payment system operators, banks and other payment service providers in the country, in coordination with the Bulgarian National Bank, will have to prepare for the implementation of the new requirements by introducing the necessary changes in the organization of work, forms and documents used, as well as their internal systems.

Payment systems

Since joining the euro area's real-time gross settlement system TARGET2⁸ in February 2010, as an operator of the national system component TARGET2-BNB, the BNB provided the banks in the country and their clients with conditions for making payments in euro in real time. In March 2023, the BNB and the banks participating in TARGET2-BNB are to join the new consolidated platform for Eurosystem TARGET services, which will unite the TARGET2 payment system, the TARGET2-Securities settlement system (T2S) and the instant transfer service in euros (TIPS) and, after 2024– the monetary policy collateral management system in the euro area⁹. With the introduction of the euro as the national currency, the real-time gross settlement payment system (RINGS) will cease to function. Payments made until then through RINGS will start to be executed as payments in euro in the consolidated platform for TARGET services.

In order to prepare for the introduction of the euro, customer payments in BGN, currently made through the payment system operated by BORICA AD, including budget payments, will have to migrate to SEPA¹⁰ payments in euro, which will be done in accordance with the technical and business requirements laid down in Regulation 260/2012¹¹. The BORICA payment system will move to the processing of payment transactions initiated by payment cards in euro, taking the necessary preparatory actions to join the consolidated platform for TARGET services.

The above-mentioned activities will require preparations and changes in the internal systems of the BNB, banks and other payment service providers. In this regard, the work on the introduction of SEPA standards for budget payments has been finalised, and from 1 October 2023 budget payments in BGN will be executed according to SEPA standards.

Securities settlement systems

Upon Bulgaria's accession to the euro area, a full revaluation of the outstanding domestic government debt and a switch to euro-denominated payments for domestic debt management operations will take place. In this context, preparatory activities have been finalised to allow the Government Securities Depository at the BNB (GDSD) to settle euro-denominated government securities transactions on the Eurosystem's securities settlement platform TARGET2-Securities and to continue to provide its services in line with market standards and Eurosystem requirements. On 12 September 2023 the GDSD successfully migrated to T2S.

¹¹ Trans-European automated real-time gross settlement system for express transfers

⁹ Eurosystem Collateral Management System (ECMS)

¹⁰ SEPA - Single Euro Payments Area

¹¹ Regulation (EU) No. 260/2012 of the European Parliament and of the Council of 14 March 2012 laying down technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No. 924/2009 as amended by Regulation (EU) 248/2014

Statistics

The introduction of the euro as the national currency will lead to changes in the collection, processing and dissemination of official statistical information compiled by the BNB. To this end, the BNB will adapt the rules for compiling statistical reports in accordance with the requirements for the euro area countries. For that purpose, it will be necessary to compile data at a more detailed level of disaggregation and in a shorter time, and in some cases to establish completely new statistical surveys. New reporting will be introduced for banks, financial institutions, payment institutions and electronic money companies with granular credit and credit risk data, in accordance with Regulation (EU) 2016/867 of the European Central Bank¹², which will replace the current reporting for the purposes of the central credit register. The Bulgarian National Bank will convert all historical data series that it has compiled into EUR, as of the first published reporting period, for each of the areas of statistics within its competence.

The aforementioned activities will require preparation and changes in the internal systems of the BNB, banks and other payment service providers, as well as reporting of a larger volume of data by the contributors of statistical information.

Payments in euro from/to budget organizations

The Bulgarian National Bank and the Ministry of Finance, in close cooperation and interaction with all participants in the process of making budget payments, including banks, the Association of Banks in Bulgaria (ABB) and system operators, regulated in joint instructions the requirements for the structure, format and content of payment documents for the purpose of executing transfers from/to the accounts of budget organizations in XML format according to the ISO 20022 standard for credit transfer (VAT No. 03/03.05.2023, No BNB-51681/04.05.2023). Thus, for all payments from/to the budget, a uniform format is regulated in accordance with the technical requirements for the format of messages pursuant to Article 5 of Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 laying down technical and business requirements for credit transfers and direct debits in euro, effective from 01.10.2023.

The preparation of the migration of the budget payments to the SEPA standards includes the development of joint instructions of the Ministry of Finance (MoF) and the BNB, which consolidate and update the existing requirements and introduce the new changes and technical requirements related to the servicing of budget payments in compliance with the requirements of the SEPA credit transfer schemes and the ISO 20022 XML standard. The joint MoF and BNB instruction VAT No 05/30.06.2023, BNB-73682/30.06.2023 regulates the servicing of accounts of budget organisations and

¹² Regulation (EU) 2016/867 of the European Central Bank of 18 May 2016 on the collection of granular credit and credit risk data (ECB/2016/13).

budget payments - main issues and requirements, pro-procedures for centralisation and technology for payments via SEBRA, also effective from 01.10.2023.

Necessary changes to CEBRA have also been defined, mandated and implemented in order to enable payments to be made via CEBRA on the new BISERA6 platform in ISO 20022 XML format.

In the course of the preparation of the migration of the budget payments to SEPA, the possibilities for optimisation of the payment procedures and the BNB's banking service of the NRA accounts for the collection of public state receivables were also discussed.

In order to support the transition to the implementation of SEPA payment schemes, settlement procedures and exchange of information with regard to the centralisation of the revenues administered by the NRA, the accounts and payments of the NRA for tax, social security and other revenues, as well as the reimbursement of overpayments from these accounts to the NRA through SEBRA procedures, shall be transferred to banking services by the BNB. In order to optimize the organization of the overall process related to the introduced changes regarding the budget payments, which also affect a large number of users of payment services (including persons liable to the NRA), this project is also implemented from the date of entry into force of the above-mentioned joint instructions of the MoF and BNB - 01.10.2023.

Following national tests to verify the readiness of all systems and procedures, budget payments shall be made in accordance with the SEPA credit transfer schemes and the ISO 20022 XML standard from 01.10.2023.

In this respect, a change to Article 148 of the Payment Services and Payment Systems Act was adopted, which ensures compliance with SEPA requirements, where payment systems do not have a limit on the value of processed transfer orders.

Necessary changes in the legal framework of payment systems and other activities

The preparation of changes in payment systems, securities settlement systems and statistics will require preparation and adoption of amendments to the Law on the Bulgarian National Bank, the Payment Services and Payment Systems Act, the Foreign Exchange Law, the Government Debt Law, the Public Finance Law, as well as in the relevant legislative instruments.

6.3 Non-banking financial sector

The non-banking financial sector in Bulgaria is of particular importance for the development and adequate functioning of the country's economy, and is a major factor in its stability and development. Its specificity lies in that it covers a very wide range of public

relations in the pension sector, the insurance sector and that of the capital market. In the process of preparation and introduction of the euro, special attention will be paid to public companies and other issuers of securities, management companies, collective investment schemes and other collective investment undertakings, investment firms, pension insurance companies and the funds they manage, to insurers, reinsurers and insurance intermediaries, and of all groups of stakeholders in the non-banking financial sector. The actions taken in this regard will be coordinated in a timely manner with the stakeholders and their representative organizations.

Enterprises that are supervised by the FSC in the non-banking financial sector should be prepared in a timely manner to operate in euro. The Non-Banking Financial Sector WG with the Financial Supervision Commission as the lead institution are responsible for the operational preparation of this sector on an expert level.

Mandate of the FSC

The FSC's obligations with regards to the non-banking financial sector companies stem from its mandate to regulate and supervise the activities of these companies and to ensure the stability of the non-banking financial sector.

In carrying out the functions and powers granted to it by the Financial Supervision Commission Law (FSCL), the FSC is guided by the following objectives:

- protection of the interests of investors, insured and secured persons;
- ensuring stability, transparency and confidence in the financial markets;
- providing adequate and stable infrastructure on the financial markets.

The conversion of the lev and the transition to the euro will be carried out in a way that does not harm the financial interests of investors, insured and secured persons, as well as of enterprises in the non-banking financial sector.

Currency conversion of financial instruments

With the accession of Bulgaria to the euro area, both the nominal and market values of financial instruments will be converted from lev to euro.

The changes in the nominal value of the shareholdings in the capital of the enterprises in the non-banking financial sector from BGN to EUR will be recorded in the account of the enterprise in the Commercial register. The rules on the change in the nominal value of the capital of non-banking financial enterprises will be in line with national rules with regards to commercial companies.

According to the requirements of the current Commercial Law, the nominal value of shares of joint stock companies is a whole number in BGN, and this requirement applies accordingly to other securities. If the nominal value of a security were converted into euro at the fixed exchange rate, the resulting nominal values would be

inconsistent with this requirement. In view of the above, it is necessary to adopt legislative changes to introduce rules at national level for all commercial companies and the securities they issue.

The introduction of the euro implies the conversion of the value of shares, bonds, stocks and shareholdings of investment funds, shareholdings of pension funds, and other instruments on the capital and money market. In accordance with the national rules for conversion of stocks and shareholdings of companies, which will be applied to all sectors of the economy, the conversion from BGN to EUR of the value of financial instruments will use the fixed conversion rate in full, i.e. by applying all five figures after the decimal point. Only after the value of the financial instrument has been converted into euro, using a fixed conversion rate, the value can be rounded according to the relevant rules. These rules will take into account the specifics of each particular financial instrument. The conversion will be preceded by a process of preparation by the issuers of securities admitted to trading on a regulated market by Central Depository AD, which will adapt the maintained registers and clearing and settlement systems, and by the Bulgarian Stock Exchange AD and other trading venues, which will update the trading systems. Preparations should start no later than 6 months before the date of introduction of the euro in Bulgaria and continue no later than the date of its introduction. The Financial Supervision Commission, as the responsible institution, will support this preparation.

Securities settlement systems

Upon Bulgaria's accession to the euro area, the financial instruments registered with a central securities depository licensed by the FSC will be fully converted in accordance with the relevant rules.

On the euro adoption date, the Central Securities Depository AD shall automatically convert from leva to euro the nominal value of the book-entry financial instruments registered in the central securities register, subject to the statutory rules for conversion and rounding. "The Central Securities Depository AD will carry out preparatory activities to ensure the settlement of transactions and continue to provide its services in accordance with market standards and applicable requirements. Bulgarian Stock Exchange AD and other trading venues will carry out the relevant preparatory actions to prepare their systems for the new requirements. Settlement of cash accounts for transactions in financial instruments concluded in BGN prior to the date of introduction of the euro in the Republic of Bulgaria, which will be completed on or after the date of introduction of the euro, shall be carried out in euro.

The above activities require changes to the internal systems of the CSD, the regulated market and other trading venues. On 12 September 2023, CSD AD completed

its migration to the Eurosystem's securities settlement platform TARGET2-Securities (T2S), transferring the settlement of approximately 80 euro-denominated securities to T2S.

The transfer of the settlement services for euro-denominated securities issues to T2S allows for a smooth transition, ensuring a fast and efficient migration of the settlement of these issues to the Eurosystem platform once the euro-denominated issues are converted on the euro changeover date.

Accounting, financial and non-financial information

From the date of introduction of the euro, all enterprises in the non-banking financial sector that are supervised by the FSC should prepare their accounting reports in euro. In order to ensure continuity of reporting, market rates, indices and/or performance indicators will also be converted into euro.

Similarly to public sector liabilities, non-bank financial sector undertakings must prepare their financial statements and reports in BGN for the reporting year 2024. After the introduction of the euro in the financial statements and reports for the reporting year 2025, data presented that relate to a previous reporting period (2024) should be converted into euro.

For the purposes of accounting, the FSC, together with the enterprises of the non-banking financial sector, will carry out the necessary preparations for the conversion of financial instruments and shareholdings, as well as liabilities and balances on the accounts (records).

Preparations for the presenting in euro of financial reporting and other information to the public and for supervisory purposes will begin no later than 6 months before the date of euro adoption. The Financial Supervision Commission will require that the non-banking financial sector enterprises under their supervision carry out a simulative test submission of reports and statements to the Commission in euro before the date of its introduction.

Information systems

If necessary, companies in the non-banking financial sector will adapt their ISs to operate in euro and will create environments where they can test hardware and/or software changes in the ISs up to 3 months before the date of adoption of the euro.

Central Depository AD will adapt the registers under its management. Bulgarian Stock Exchange AD and other trading venues must update their trading systems. The process will start no later than 6 months before joining the euro area and will be completed by the date of adoption of the euro. During this period, simulations and testing of changes in the informational structure will be conducted, and their

results will be presented to the Financial Supervision Commission and other competent state authorities.

Necessary changes in the legal framework

In accordance with the deadlines and criteria set out in part 4.2 hereof the FSC will take steps to review the sectoral legislation in order to identify the need for changes. The changes will be proposed in accordance with the nationally adopted conversion and disclosure rules.

The Financial Supervision Commission will update its regulatory framework in a timely manner in order to comply with the changed legal framework, and when developing amendments in connection with the introduction of the euro will take into account the specifics of enterprises in the non-banking financial sector.

6.4 Private non-financial sector

Preparatory activities in the non-financial sector will be coordinated, implemented and monitored by the Non-Financial Sector Working Group. The operational preparation itself will not differ significantly from the activities planned for public sector entities. For example, similarly to public enterprises and administration, non-financial enterprises will be required to adapt to the dual display obligation, which will enter into force 30 days after the EU Council decision on the introduction of the euro in Bulgaria and will be in effect for 12 months after the euro accession day. The obligation to dual display and report prices in BGN and EUR will be relatively more burdensome for traders who offer a wide variety of goods/services, which implies a greater workload and burden of converting prices. In addition to the price lists, all traders should indicate their prices in BGN and EUR in advertising materials published on websites and in other media.

Accounting

Accounting documents

Accounting documents relating to a period after the euro adoption date should be drawn up in euro. On the euro adoption date, the balance of each account shall be converted from levs into euro at the official exchange rate.

Annual financial statements

Annual financial statements shall be prepared in the currency of official circulation in the country at the end of the reporting year. This means that, similar to the liabilities of public and non-bank financial entities, private non-financial entities should report their assets, liabilities, equity and financing amounts in levs for the reporting year 2024 and in euro for the reporting year 2025. After the introduction of the euro in 2025, data reported for the previous reporting period (2024) should be converted into euro.

Information systems

In order to ensure a smooth the transition to euro operations, it is necessary to adapt all information systems of the private non-financial sector that perform financial operations or operations containing financial information to the new currency, paying special attention to the ISs of small and medium enterprises (SMEs).

SMEs should create an inventory of ISs that will be affected, as well as a list of hardware that should be replaced or updated. The information systems should be able to perform operations with BGN and EUR in order to cope with the requirements associated with the period of dual display of prices and dual circulation of both currencies. In the event that the IS of an enterprise is connected to the systems of its business partners, suppliers and others, continued compatibility should be ensured even after the introduction of the euro.

Representatives of the private non-financial sector will start working on the adaptation of their ISs and test new hardware and/or software as early as possible before the euro introduction. Companies will bear the costs of changes in their ISs and all other adjustments related to the introduction of the single European currency.

Statistical reporting

From the date of the introduction of the euro, representatives of the private non-financial sector should produce and publish their statistics in euro. Like the obligations of public institutions regarding statistics, the statistical information for the 2024 reporting year should be in BGN, and in EUR as of the date of membership in the euro area in EUR.

Prepaid payment instruments

Prepaid instruments such as prepaid mobile phone cards, fuel cards, parking payment cards, public transport tickets/cards, gift cards, vouchers, etc. issued before the introduction of the euro in BGN will be automatically converted or replaced free of charge with instruments in which the amount is converted into euros. With Bulgaria's accession to the euro area, these instruments will be offered only in the new currency.

In cooperation with issuers of prepaid instruments, the relevant control authorities will have to identify the legislative instruments governing the activities of companies offering or operating prepaid instruments in order to determine any changes caused by the introduction of the euro.

Trade

In order to facilitate the introduction of the euro, from the day of Bulgaria's membership in the euro area, traders must return any change resulting from a cash payment only in euro, unless it is impossible for practical reasons. To this end, companies and

traders will be provided with euro banknotes and coins before the date of the euro adoption. Furthermore, in the transitional period of dual circulation the trader will not be obliged to receive in one transaction more than 50 coins in BGN.

6.5 Consumer rights and protection

Responsible at the operational level for consumer protection in the process of Bulgaria's preparation for euro area membership is the Consumer Protection Working Group, with the Ministry of Economy and Industry and the Commission for Consumer Protection as the lead institutions. The Working Group will focus its activities in the following areas:

Correct conversion of prices

Accurate and correct conversion of prices from BGN to EUR according to the above-mentioned principle of "conversion from BGN to EUR" is the main means of preventing the risk of rising prices as a result of the euro adoption. For this reason, consumer protection authorities should strictly monitor compliance with the currency conversion rules.

Dual display of prices

In order to facilitate the adaptation to the new currency and to prevent exploitation and speculative price increases, the Euro Act will regulate the obligation for dual display in BGN and EUR of prices and other monetary amounts for payment, credit and debit, accompanied by an explicit indication of the fixed exchange rate.

According to the Commission Recommendation of 10 January 2008 on measures to facilitate the future transition to the euro, the dual display period should begin as soon as possible after the Council has formally adopted the irrevocably fixed exchange rate of the lev to the euro, and should remain in force for a period of at least six months and a maximum of one year after the euro introduction. After this period, the dual display should be abolished in order to give citizens the opportunity to become fully accustomed to the new currency.

In Bulgaria, the obligation for dual display of prices is planned to take effect 30 calendar days after the Council decision to irrevocably fix the exchange rate of the lev to the euro and will remain in force for 12 months after the adoption of the European single currency. The experiences of the Member States that last introduced the euro show that this practice has worked well and has been effective. It has helped prevent price increases by allowing consumers to easily identify retailers and other businesses that have unduly inflated prices.

Special attention will be paid to traders and service providers who should indicate the prices of their products and/or services in both currencies during the dual display period.

In the same period, the display of the prices in BGN and in EUR must be done in the advertising materials that contain information regarding the prices of the advertised services and/or products. Traders and service providers will have some freedom with regard to the form and means of dual display, provided that it is easy to understand, not misleading, written in the same font, shows the fixed exchange rate and does not contain unnecessary information that could confuse customers.

The dual display of prices should also apply to public authorities. During this period, all amounts owed by Bulgarian citizens to the state, including taxes, fees, etc., should be denominated in BGN and EUR. The same applies to the amounts owed by the state to the citizens. Public authorities should also prepare information materials on the dual display of prices and price lists in which prices are written in both currencies.

Control over the replacement and rounding of prices from BGN to EUR

In order to avoid price speculation and excessive inflation, the Consumer Protection Commission should conduct a study of the prices of the most frequently consumed foodstuffs, basic goods and frequently used services one year before the euro adoption and continue to monitor their change one year after the introduction of the new currency. The results of the price survey and monitoring should be published on the website of the Consumer Protection Commission, on the euro website and through other information channels.

The obligations of traders for the correct recalculation and dual display of prices, as well as possible sanctions for non-compliance with these obligations, will be explicitly described in the Euro Act, and the Consumer Protection Commission will, as a supervisory body, monitor compliance with these rules. In order to encourage fair traders the Consumer Protection Commission and together with representatives of non-governmental organizations, will organize a Fair Trader campaign with a clearly recognizable campaign logo. Those traders/service providers who follow the rules for accurate conversion of the prices of their products/services from BGN to EUR, as well as for understandable and correct indication of prices during the dual display period, will receive a Fair Trader sticker to inform consumers that they are participating in the campaign. The institutions organizing the campaign will be responsible for monitoring the good practices of traders, and citizens will be invited to get involved in the process of collecting and transmitting information.

The results of a survey conducted in the Member States which last introduced the euro show that the risk of rising prices is relatively more pronounced in the services sector, especially in the catering sector, beauty salons, and accommodation and leisure services. Therefore, and on the basis of a risk analysis developed in advance by the Consumer Protection Commission, the competent authorities will pay special attention to monitoring the prices of these categories of services, as well as others at higher risk.

Monitoring of prices

Keeping citizens fully and regularly informed about price movements will be an important element of consumer protection measures.

The competent authorities will continuously monitor consumer price movements and regularly inform the public. In addition to information on inflation as an aggregate measure of price movements, data on price movements for key categories of goods and services will be published. If Bulgarian citizens are regularly informed about price movements, they are less likely to develop a misconception of a significant increase in the price level and a fall in their standard of living as a result of the introduction of the euro. The results of price monitoring will be regularly presented to the public, thus reducing citizens' mistrust and fear that prices will increase in an obscure manner.

6.6 Communication

Communication and information campaign on the euro

During the period of Bulgaria's accession to the Banking Union and ERM II, a number of public forums were held to explain the role of the euro area and the benefits of the country's accession to it, but they were not related to the details the public needs to know on the practical aspects of the introduction of the euro as a national currency.

The replacement of the lev by the euro will affect every person living in or travelling to and from Bulgaria, and good public information on the introduction of the euro is crucial for the success of the process. For these reasons, a national information and communication campaign on the introduction of the euro in the country is foreseen to promote the process of preparation of our country for joining the euro area, as well as in the first months of Bulgaria's actual membership, and to acquaint the audience with all the effects resulting from the adoption of the euro for citizens, businesses and the state.

The campaign will be implemented through the joint efforts of all institutions involved in the process.

In November 2022, the Coordination Council for the preparation of the Republic of Bulgaria for euro area membership adopted a Communication Strategy for information and publicity of Bulgaria's accession to the euro area, which sets out the principles and tasks of the information and communication campaign, the responsible institutions, the stages of implementation, the target groups, the channels for dissemination of information, etc. A meeting of the Coordination Council held in August 2023 identified the need to update the strategy.

According to the updated strategy (adopted by the Coordination Council on 3.10.23), the information campaign is aimed at providing accurate, accessible, comprehensible, timely and comprehensive information on the process of Bulgaria's preparation for the euro adoption, as well as at providing the necessary information in the first months of the country's actual accession to the euro area. At the same time, it aims to counteract

any misinformation that misleads about the effects of euro area membership and instils unjustified concerns among citizens about this crucial step towards raising living standards in Bulgaria.

The strategy has also been updated in view of the changed perspective for the adoption of the euro in Bulgaria, considering the changed communication environment on the subject.

Good awareness and raising financial literacy regarding the euro will help to ensure broad public support for the project, as well as for the efficient execution of the whole preparation. The campaign will include communication activities to explain the consumer protection measures, as well as relevant information activities to familiarise the public with euro banknotes and coins and their protection against counterfeiting.

The information campaign will include activities across the country to reach out to all sections of society.

The campaign will use a diverse mix of communication channels and tools, including mass media and direct communication with citizens - electronic media (TV and radio); print media (newspapers and magazines); internet media (websites) and social networks; outdoor and indoor advertising, social networks; digital space, internet information pages and platforms; print publications and printed materials; public events; trainings; opinion leaders from the relevant social community/organizations supporting the relevant vulnerable group; celebrities, influencers, vloggers, etc. Their choice will depend on the specificities of the target groups, their expectations and attitudes.

For the purpose of the campaign there will be a dedicated euro website and the websites of the Ministry of Finance, the BNB and all other relevant institutions will be used as a communication channel.

The campaign will create, produce and disseminate audio-visual, digital and print static and dynamic information, education and promotional material in media, publications and platforms, on social channels and networks, outdoor advertising, videos, radio spots and other video and audio content, and may also use material provided by the European Commission and the ECB. A number of national and regional events aimed at the general public and specialised target groups are also planned, including press conferences, as well as outreach events to target groups that are not active on the internet and/or lack the necessary technical means.

Principles of the communication campaign

The campaign should be based on the following principles:

- **Openness in the course of providing information** – questions raised by citizens and businesses should be answered to the fullest extent and in an accessible way.

- **Transparency and feedback** – the responsible institutions will be accessible to anyone interested in the process of euro introduction and will answer any questions about the euro within their competence.
- **Coordination in information provided** - responsible institutions should not provide conflicting information. The individual materials produced under the information campaign should have a uniform design and slogan, in accordance with Article 4(1) of the European Commission Recommendation on measures to facilitate the future changeover to the euro. The use of a common hashtag #Zaevroto - to achieve homogeneity in the campaign rather than fragmentation.
- **Quality of information** – the information provided should be complete, timely and accessible, and tailored to the different target groups.
- **Accessibility of the language** – Language accessibility - information related to the adoption of the euro should also be accessible to people with special needs. In addition to Bulgarian, information should be produced in other languages, including Braille, and, in line with new legislative decisions, it should also be provided using sign language.
- **Effectiveness and efficiency** - information should be disseminated using all types of information tools and channels that reach the public and individual target groups most quickly and easily and achieve the desired results.

Institutions participating in the campaign

It is important that all competent public institutions, as well as a significant part of the private sector and civil society, business and trade union organisations, professional communities participate directly or indirectly in the implementation of the information campaign. In order to ensure a broad coverage of the information campaign, partner institutions should be sought and mobilised to carry out information activities within their respective competences. These include employers' organisations and branch organisations (e.g. the Bulgarian Industrial Association, the Bulgarian Industrial Capital Association, the Bulgarian Chamber of Commerce and Industry, the Modern Trade Association, the National Tourism Board and various branch organisations in the field of tourism, (e.g. the Confederation of Independent Trade Unions of Bulgaria and the Podkrepa Confederation of Labour), state and municipal institutions, even those not directly involved in the euro introduction process, media, credit institutions, NGOs, mobile operators, universities, schools, etc.

If well-coordinated information is prepared for dissemination from different sources, the desired effect will be achieved, namely reaching the widest possible range of Bulgarian citizens. Financing

Adequate resources must be provided for the successful implementation of the Communication Strategy. The financing of the activities related to the implementation of the campaign should be ensured from the state budget, and the necessary expenditure should be budgeted accordingly within the annual budgets of the participating institutions, while for budgetary organisations this should be done in the course of the budget procedure for the respective year. The responsible institutions should forecast and plan their expenditure related to the adoption of the euro. Opportunities are foreseen for partnership and support from the EC and the ECB in carrying out a variety of campaign activities.

Target groups

The target group of the campaign is the general public. In order to ensure the planned broad reach of the campaign, specific target sub-groups have been identified for particular attention, namely:

- ✓ households;
- ✓ all working people, whether or not they have deposits and loans with banks;
- ✓ students;
- ✓ pensioners;
- ✓ small and medium-sized businesses;
- ✓ representatives of the public sector;
- ✓ credit institutions and non-bank financial sector enterprises in the country;
- ✓ investors and insured persons;
- ✓ employers;
- ✓ trade unions;
- ✓ tourists and foreigners permanently residing in Bulgaria;
- ✓ journalists;
- ✓ NGOs;
- ✓ vulnerable groups - according to Article 2(2) of the Commission's Recommendation on measures to facilitate the future changeover to the euro, special information activities should be set up for hard-to-reach population groups such as people living in remote and/or underdeveloped areas, members of ethnic minority groups, the unemployed, pensioners, people with special needs (suffering from physical, sensory or mental illness), as well as citizens for whom access to information is difficult - such as homeless people, prisoners and others.

Opinion polls

Within the framework of the communication campaign, a series of representative opinion polls and focus groups will be carried out to monitor public attitudes and

awareness of the introduction of the euro (citizens' fears and expectations related to the changeover as well as the reasons for them). The results of the surveys will be presented in a timely manner to a variety of stakeholder groups - media, business, NGOs - as well as to the general public. The information from the surveys will form the basis for the timely adaptation of the information and communication campaign to the most pressing issues and attitudes in society, so that clear and timely responses and messages are delivered within the campaign.

Phases of the information and communication campaign

The campaign should be carried out in **three phases - preparatory, substantive and de facto**, with the second phase being the most intensive and the third phase being a fading phase.

The first phase of the campaign (15-12 months before the indicative date for the introduction of the euro in Bulgaria until the date of the decision of the Council of the EU for the introduction of the euro in Bulgaria) will be aimed at providing information on the benefits and opportunities for Bulgaria from joining the euro area, thus answering the important questions for the people and preventing the spread of speculations and false statements on the subject. It is very important that information on some of the practical aspects of the transition period is included at this stage so that all stakeholders, and especially citizens, can participate in a fully informed way not only in the process but also in shaping the policies that will subsequently affect their daily lives. Within this phase, activities are foreseen to build the overall visual identity of the campaign (creating a logo, slogan and brand beech), conducting opinion polls and focus groups, creating, producing and distributing audio-visual, digital and print static and dynamic information, educational and promotional materials in print and online media, publications and platforms, social channels and networks, out-of-home advertising, creating videos, radio spots and other video and audio content. It is also foreseen to purchase broadcasting time in electronic media, organise national and regional events (e.g. roadshows, events around the adoption of the Euro Act) for the general public and different stakeholder groups, as well as press conferences.

The second phase of the campaign (from the date of the EU Council decision to introduce the euro in Bulgaria until 1 month after the actual introduction of the euro) will be focused mainly on more practical information on how the adoption of the new currency will affect all aspects of people's lives or informing stakeholders about the overall process of euro adoption and its practical aspects - revaluation of loans and deposits, administrative steps of legal entities, where the money will be exchanged, identification of euro coins and banknotes. During this time, the process will build on the activities of phase 1, namely conducting opinion polls and focus groups, creation, production and dissemination of new audio-visual, digital and print static and dynamic information, education and promotional material in print

and online media, publications and platforms, on social channels and networks, outdoor advertising, creation of videos, radio spots and other video and audio content building on the content of phase 1. Activities such as the purchase of programme time in electronic media, the organisation of national and regional events (e.g. roadshows and happenings for 100 days before the adoption of the euro in Bulgaria), exhibitions for the general public and various stakeholder groups, press conferences, as well as a major international conference when the EU Council decides on the introduction of the euro in Bulgaria will continue. The main communication efforts will be planned with periods centering around the following key dates - the date of the EU Council decision to introduce the euro in Bulgaria, 100 days until the introduction of the euro in Bulgaria, 30 days until the introduction of the euro in Bulgaria, 1 week until the introduction of the euro in Bulgaria, the date of the introduction of the euro in Bulgaria, 1 month from the introduction of the euro in Bulgaria. During this second phase, the activities within the information and communication campaign will be the most intensive and will mainly focus on practical and consumer issues.

The third phase of the campaign (will start 1 month after the actual introduction of the euro in Bulgaria and will end 6 months after the introduction of the euro) will be very important for the validation of the new currency as well as for increasing citizens' trust in the institutions. The smooth introduction of the euro and the coverage of all its practical aspects will help to increase the level of citizens' confidence in the euro as well as in the Bulgarian institutions. During this phase, it will be important to provide detailed information on price formation and inflation, monitoring against abuses, measures, consumer protection. In this phase, it is planned that activities such as conducting opinion polls and focus groups, creating and disseminating new audio-visual, digital and print static and dynamic information, educational and promotional material in print and online media, publications and platforms, on social channels and networks, outdoor advertising, creating videos, radio spots and other video and audio content building on that of Phase 1 and 2, buying broadcasting time in electronic media, organising press conferences and events will continue. Between the third and the sixth month of the introduction of the euro in Bulgaria, a major conference with international participation should be organised to exchange experiences and good practices in the adoption of the euro. At the end of the third phase, the euro adoption process, the communication campaign itself (through a final opinion poll) as well as the measures to protect the interests of consumers shall be evaluated.

The described groups of communication activities do not exhaust all possible activities within the campaign, as periodically the indicative schedule of activities to the Communication Strategy will be reviewed by the Communications WG of the Coordination Council for the preparation of the Republic of Bulgaria for euro area membership and updated if necessary.

1	FIRST PHASE	2	3	FINAL PERIOD	
<p>Start: 15-12 months before the indicative date for the introduction of the euro in Bulgaria until the date of the EU Council decision on the introduction of the euro in Bulgaria</p> <p>End: the date of the EU Council decision on the introduction of the euro in Bulgaria</p>	<p>Start: from the date of the EU Council decision to introduce the euro in Bulgaria</p> <p>End: 1 month after the actual introduction of the euro</p>	<p>Start: 1 month after introduction of the euro</p> <p>End: 6 months after the introduction of the euro</p>	<p>Organisational and communication activities aimed at familiarising citizens with the general aspects of the introduction of the euro and the benefits for the country's economy, businesses and households are carried out.</p>	<p>The activities within the information and communication campaign will be the most intensive and will be aimed at informing the stakeholders about the overall euro adoption process and its practical aspects.</p>	<p>The focus will be on evaluating the process of introducing the euro, protecting consumer interests and conducting final public surveys on the new currency.</p>

Emergency management and crisis communication

In order to better manage risk and ensure the possibility of a timely response to possible crises or emergencies, a crisis action plan will be developed to define and allocate responsibilities between the institutions involved in the event of a crisis. The leading Bulgarian branch communication associations - the Bulgarian Association of PR Agencies, the Bulgarian Society for Public Relations, the Bulgarian Society for Public Relations, the Bulgarian Association of Communication Agencies, the communication units of employers' and trade unions' organisations - will be consulted in the development of the plan, and with their help various scenarios for crisis situations will be developed and possible measures and solutions for each of them will be given.

ANNEX:

METHODOLOGICAL INSTRUCTIONS

FOR THE ADAPTATION OF THE INFORMATION SYSTEMS
OF THE ADMINISTRATIVE AUTHORITIES IN CONNECTION
WITH THE INTRODUCTION OF THE EURO IN THE REPUB-
LIC OF BULGARIA

Public Administration Working Group
assisting the Coordination Council for the Preparation of the Republic
of Bulgaria for Euro Area Membership, established by Decree No 168
of the Council of Ministers of 2015.

October 2023

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GENERAL PROVISIONS

1. These Methodological Instructions for the adaptation of the information systems of the administrative authorities (AA) in connection with the introduction of the euro in the Republic of Bulgaria (the Methodological Instructions) have been prepared in implementation of the activities in the field of information systems (IS) envisaged in Section 6 "Preparation for the adoption of the euro by regions" of the National Euro Changeover Plan of Bulgaria (Council of Ministers Resolution No 344 of 30 May 2022) information systems (IS) and the Measure "Issuance of methodological instructions to the administrative authorities on the adaptation of information systems" of the Action Plan thereto.

2. The document is issued on the proposal of the Public Administration WG, assisting the expert body established by the Decree No. 168 of the Council of Ministers of 2015. Coordination Council for the preparation of the Republic of Bulgaria for membership in the euro area. It is being developed by the Public Administration WG, with the Ministry of Electronic Governance as the lead institution and with the participation of other competent authorities included in the working group, in accordance with the tasks set in the National Euro Changeover Plan of Bulgaria, including on the basis of exchanged information on key issues with the Ministry of Finance and all relevant administrations under the competence.

3. These Methodological Instructions aim to ensure the accurate and uniform application of the requirements for the introduction of the euro by the administrative authorities in the process of adapting their information systems to the euro.

4. Adaptation of information systems to the euro is an upgrade/development, development/setting up or maintenance of the IS, regardless of the copyright owner.

5. The administrative authorities retain their operational autonomy in choosing the approach and the way to adapt their information systems to the euro, in compliance with the legal and sub-legal normative acts and the requirements and deadlines set in this document and in the National Euro Changeover Plan of Bulgaria.

6. The preparation of the information systems of the relevant administrative authorities involves considerable organizational, coordination and expert work. The experience of the most recent euro area members shows that proper planning and preparation for the introduction of the euro reduces potential risks related to inefficient distribution of work over time, as well as difficulties in the daily activities of institutions, businesses and citizens.

7. The date of the accession of the Republic of Bulgaria to the euro area and the deadline by which the administrative authorities are obliged to bring their information systems that process financial information into compliance with the statutory requirements and with these Methodological Instructions shall be determined by law - the Law on the Introduction of the Euro in the Republic of Bulgaria (Euro Act).

I. PLANNING REQUIREMENTS FOR THE ADAPTATION OF THE IS TO THE EURO

The introduction of the euro affects all information systems at national, regional and municipal level that deal with currency units and process financial information. In this respect, the AA's IS should be adapted in time to the euro, and their readiness for the introduction of the euro should be guaranteed by the relevant ministries, departments and institutions within their scope and competence. The necessary set of actions should be carried out in sequence in order to ensure a smooth adaptation of the IS to the euro.

1. Preparation of a Plan for the adaptation to the euro of information systems that process financial information (PAEIS)

In order to ensure compatibility with the euro, the administrative authorities should review and analyse the IS they operate, identify those that will be subject to adaptation and take the necessary action to plan and implement the necessary changes to them.

1.1. The administrative authorities shall, within the framework of their approved budgets for the expenditure in the field of electronic governance and for the information and communication technologies used by them, plan the activities for the adaptation of the IS in accordance with the Mechanism of planning of information resources in administrations, provided for in Article 7g of the Electronic Governance Act (EGA), and prepare a specific plan for adaptation of the IS to the euro (in short PAEIS). For planning purposes, the AAs analyse the IS and identify the necessary actions, resources, responsible parties and deadlines, reflecting the information in PAEIS. A template has been developed for the purpose of uniformity, which will also facilitate its aggregation at national level in connection with the subsequent monitoring, coordination and control commitments of the Public Administration WG. The PAEIS template is provided as an Annex to these Methodological Instructions and contains the information described below:

1.1.1. Sequence No.;

1.1.2. Administrative authority;

1.1.3. Name of the IS to be adapted to work with the euro;

1.1.4. Type of IS:

1.1.4.1. central IS (shared resource) for the public sector;

1.1.4.2. specialised IS of AA;

1.1.4.3. common application software / finished product.

1.1.5. Category of IS according to copyright - as described in section 1.2;

1.1.6. Current IS maintenance contract with information on:

1.1.6.1. contract number and date - if there is no maintenance contract, such necessity shall be identified by proposing one of the solutions in 1.1.8;

1.1.6.2. the number and name of an ongoing IS maintenance project to be performed under an existing Framework Contract;

1.1.6.3. contractor under the current contract;

1.1.6.4. the time of performance of the current IS maintenance contract/project under an existing Framework Contract.

1.1.7. Identified necessity to enter into a new contract or to commission a new project (to a framework contract) for maintenance or adaptation to the euro - when one or more of the following conditions are present:

- 1.1.7.1. there is no maintenance contract/project in progress;
- 1.1.7.2. there is no clause included in the current contract/project to bring the IS into compliance with regulatory changes in national/European legislation (category 2 and 4 systems);
- 1.1.7.3. the time of performance of the current contract/project (for Category 1 and 3 systems) expires before the deadline referred to in paragraph 4 of this section.

1.1.8. Subject to the evaluation mechanism in point 7, the possible solutions for adaptation are to commission:

- 1.1.8.1. maintenance with a clause for implementation of regulatory changes (national and European legislation);
- 1.1.8.2. upgrade of an existing system;
- 1.1.8.3. new development or purchase of ready-made Euro-compatible versions.

1.1.9. Indicative value of the decision under the previous point - the estimated value determined by the AA in accordance with the requirements of the Public Procurement Act or the Guidelines for the Unification of Practice on the Determination and Implementation of System Integration Activities under Article 7r of the Public Procurement Act, approved by Decision No. 481 of the Council of Ministers of 2020;

1.1.10. Necessity of ongoing coordination of expenditure under Article 7d, paragraph 2 of the Electronic Governance Act - to be filled in when the envisaged funds (indicative value of the possible solution) have not been previously agreed with the Minister of Electronic Governance;

1.1.11. Directorate(s) in the AA responsible for the adaptation of the IS;

1.1.12. Deadline set by the AA for adapting the relevant IS to the euro. The deadline may not exceed the statutory deadline for adapting the IS to work with the euro.

1.2. Categorisation of information systems

For the purposes of the preparation of the PAEIS referred to in point 1.1 and the organisation of the planning described in point 2, the information systems, according to the maintenance contracts/projects concluded and the copyrights, are divided into the following categories:

1.2.1. Category 0: IS with copyright **owned by the AA** and which will be adapted using **its own resources without the need for additional funding**;

1.2.2. Category 1: IS with copyright **owned by the AA** and for which **maintenance is provided**, with a clause for implementation of regulatory changes (national and European legislation) included. In this case, the adaptation to the euro is carried out by the Contractor of the maintenance provided;

1.2.3. Category 2: IS with copyright **owned by the AA** and for which **maintenance has been provided** but without a clause for implementation of regulatory

changes (national and European legislation) **or no maintenance has been provided**. In this case, the adaptation to the euro should be contracted out by the AA in a separate contract or a project for upgrading or modification;

1.2.4.Category 3: IS with copyrights **not owned by the AA** and for which **maintenance is provided**, with a clause for implementation of regulatory changes (national and European legislation) included. In this case, the adaptation to the euro is carried out pro-actively by the copyright owner and is provided to the administrative authority within the framework of the guaranteed maintenance;

1.2.5.Category 4: IS with copyrights **not owned by the AA** and for which **maintenance is provided, without a clause** to implement regulatory changes (national and European legislation) **or maintenance is not provided**. In this case, the adaptation to the euro is carried out pro-actively by the owner of the copyright and is provided to the AA with a contract for the assignment of the right to use the new version.

1.2.6.Category matrix:

Maintenance contract/project	with included clause	no clause or no maintenance provided
The Copyrights:		
are owned by the AA	Category 1 / Category 0	Category 2
are not owned by the AA	Category 3	Category 4

1.2.7.Information on Category 0 systems should not be filled in the PAEIS template.

1.2.8.In the PAEIS template, administrative authorities should only fill in information on information systems. Information concerning services should not be filled in.

1.2.9.Administrative authorities should review their Internet pages and Portals for information that would be affected by the adoption of the euro (e.g. different calculators, fees for requesting and providing services, etc.) and take steps to adapt them accordingly. The relevant information should be entered in the PAEIS template.

2. Planning organisation

2.1. The Chairman of the Public Administration WG shall, within a time limit set by him, request from the administrative authorities information on all IS to be adapted to the euro, in accordance with the attached PAEIS template.

2.2. Within the timeframe referred to in point 2.1, the administrative authorities (first-level, second-level and other budget authorizers) shall send the information through the EMS (the Electronic Messaging System) to the Secretary General of the Council of Ministers for submission to the Public Administration WG.

2.3. The Public Administration Working Group summarises the plans at national level and monitors, coordinates and controls them. The summarised data can be used by other competent authorities to assess the resources required and the implementation of the processes related to the adaptation of the IS to work with the euro, as well as for benchmarking.

2.4. If it is necessary to amend/update the PAEIS, the format and order of transmission described above shall be followed.

2.5. The PAEIS shall form part of the annual plans of the AA referred to in Art. 7g para. 1 of the Electronic Governance Act for renewal of their information resources.

3. Approval of expenditure, Project Proposals and Technical Specifications for the adaptation of the IS to work with the euro under the EGA.

3.1. The administrative authorities should plan the necessary activities and costs for the adaptation of the information systems in connection with the introduction of the euro in the annual plans for the renewal of the information resources in their administration through the Mechanism of planning of information resources in administrations provided for in the EGA.

3.2. The administrative authorities shall coordinate the costs of projects/activities for the adaptation of IS processing financial information, for which funds for upgrade/development, development/construction or maintenance are foreseen in PAEIS, except in cases where the expenditures have already been approved at the relevant stage of the budget procedure in accordance with the provisions of the EGA and the Ordinance on the general requirements for information systems, registers and electronic administrative services.

3.3. In relation to their obligation under Article 7f(4) of the EGA, AAs should have previously entered or updated in the Register of Information Resources (RIR, <https://rir.egov.bg/>) information on each IS for which funds are foreseen in the triennial budget forecasts and/or in the draft budget for the following year for upgrading/development, development/set up or maintenance in connection with its adaptation to the euro.

3.4. In connection with their obligation under Art. 7f, para. 1(3) of the EGA, prior to submitting to the Ministry of Electronic Governance (MEG) via the Information System for Preliminary, Ongoing and Ex-post Appropriateness Control in the Field of Electronic Governance and the Use of Information and Communication Technologies (ISBC, <https://budgetcontrol.egov.bg/>) for prior coordination of electronic governance expenditure and of the information and communication technologies they use, the AAs must have created and/or updated current annual plans for the relevant years in the 'Main' section of their RIR profile, completing the required fields in the 'Annual Plan' menu.

3.5. The entry/updating under point 3.3. and point 3.4. shall be made on the basis of the information included in the PAEIS under point 1.

3.6. The project proposals and the activities for upgrading/development, development/set up or maintenance of the IS in connection with the euro shall be entered

by the AA in the Register of Projects, module "Project proposals and activities", in accordance with Art. 3 of the EGA, for approval by the Minister of Electronic Governance pursuant to Article 7c(2)(10) of the EGA.

3.7. When drawing up Technical Specifications for public procurements for the development, upgrade or implementation of IS or electronic services, the AAs must include in the specifications the requirements under Article 58a of the EGA, as well as the requirements related to the adaptation of the systems in connection with the introduction of the euro.

3.8. The specifications under item 3.7 shall be developed on the basis of a template - Annex to Article 38 of the Ordinance on the general requirements for information systems, registers and electronic administrative services.

3.9. The conformity of the Technical Specifications with the regulatory requirements under Art. 56 and Art. 58a of the EGA shall be certified by the Minister of Electronic Governance pursuant to Art. 58b of the EGA, in conjunction with Art. 52, para. 1(2) of the Ordinance on the general requirements for information systems, and the administrative authorities shall enter the specification in the Register of Projects, module "Technical Specifications".

3.10. In accordance with Art. 58b, par. 1 of the EGA and point 3.8., only the technical specifications for public procurement with an estimated value greater than or equal to the value of the threshold under Article 20, paragraph 4, point 2 of the Public Procurement Act (PPA) shall be certified. The AAs may also submit for certification technical specifications for projects and activities in the field of e-government, information and communication technologies that are planned to be implemented in one of the following ways:

1. in accordance with the exceptions under Articles 13, 14 and 15 of the PPA;
2. in accordance with the procedure for the award of system integration under Article 7r of the EGA;
3. with the administrative authority's own capacity.

4. Timeframe for adapting the IS to the euro

4.1. Not later than three months before the date of introduction of the euro in the Republic of Bulgaria, unless otherwise provided for in the Electronic Governance Act, the administrative authorities, the persons performing public functions and the organisations providing public services shall have brought their information systems processing financial information into compliance with the requirements of the Euro Act and the Electronic Governance Act.

4.2. IS which are not owned by the AAs (Category 3 and Category 4) and which have not been adapted to the euro within the timeframe referred to in point 4.1. shall not be used by the administrations after the introduction of the single European currency in the Republic of Bulgaria. In this respect, each AA should take timely action to notify the supplier.

5. Trainings for the employees of the administrative structures related to the introduction of the euro in the Republic of Bulgaria

5.1. In connection with the currency changeover and the modifications of the information systems prior to the euro changeover date, trainings should be organised and conducted for the employees of the AAs.

5.2. In order to achieve a good level of competence of the administration and awareness of the public sector stakeholders, prior consultations will be carried out at expert level and the needs for relevant trainings will be analysed and studied.

5.3. Trainings will include:

- Trainings on the use of the adapted Information Systems operated by the respective administration;
- Dedicated trainings on the specifics of the currency changeover.

5.4. Trainings on the use of the upgraded functionalities of the information Systems should be included in the technical specifications and assigned to the developers/contractors under the implementation contracts.

5.5. Dedicated trainings on the specifics of the currency changeover shall be conducted as needed by a dedicated training delivery structure.

5.6. The trainings will be organised in different formats, the scope and intensity of which will depend on the extent to which the currency changeover affects the employees concerned:

5.6.1. Electronic and hybrid trainings;

5.6.2. Conferences, seminars, exhibitions, etc.

5.6.3. Training by specialised lecturers - for government officials and other public sector employees whose work is directly affected by the euro changeover and/or those who handle cash on a daily basis;

5.6.4. Specific explanatory materials - to provide information on the main legal and regulatory aspects of the euro and the impact of the currency changeover on public sector activities and on citizens;

5.7. The lead institution for the measure "Training of the Administration" in relation to the introduction of the euro in the Republic of Bulgaria is the Institute of Public Administration (IPA).

6. Information systems supporting large databases

Many public sector information systems support large databases containing information in national currency. The administrative authorities owning these systems should analyse and take measures to adapt them accordingly, considering specificities such as:

6.1.1. In cases where the data can remain stored in the national currency, they may only be converted if further processing is necessary;

6.1.2. In cases where conversion of stored data is necessary, the original data should be backed up in compliance with data protection principles.

7. Mechanism for evaluating the effectiveness and efficiency of possible solutions for IS adaptation

7.1. Prior to the implementation of the information systems adaptation activities in connection with the introduction of the euro in the Republic of Bulgaria, the administrative authorities should assess the effectiveness and efficiency of the possible solutions as follows:

7.1.1. With regard to the IS the copyrights of which are owned by the AAs and whose adaptation to work with the euro is not included in the scope of maintenance, the AAs should determine the estimated cost of the possible options for adaptation of the respective IS, in accordance with the requirements of the Public Procurement Act (PPA) or the document "Guidelines for unification of practice in the definition and implementation of system integration activities under Article 7r of the Public Procurement Act" (approved by Decision No. 481 of the Council of Ministers of 2020);

7.1.2. With respect to IS and software developments whose copyrights are not owned by the AA, the obligation to adapt the software to work with the euro shall be the responsibility of the respective copyright owner, who shall promptly notify the AA of the status of the adaptation.

7.1.3. On the basis of the estimated cost of the possible adaptation options, the AA shall analyse and evaluate the effectiveness and efficiency, upon which a decision shall be taken on how to adapt the existing software - by upgrading, by new developments, by adapting/purchasing Euro-compatible versions, etc.;

7.2. The decisions taken should be documented in column 11 of the PAREIS and substantiated in the respective project proposals and technical specifications for the information systems to be adapted.

II. COMMISSIONING OF PROJECTS/ACTIVITIES TO ADAPT INFORMATION SYSTEMS IN CONNECTION WITH THE INTRODUCTION OF THE EURO

The commissioning of projects/activities in connection with the introduction of the euro for the adaptation of information systems processing financial information shall be carried out on a case-by-case basis by the administration concerned, with operational autonomy and within the framework of the statutory rules.

1. The commissioning shall be carried out:

1.1 in accordance with the Public Procurement Act (PPA) - when the contracting authority is an administrative authority within the meaning of the EGA, including by direct award by the AA in accordance with the procedure and provisions of the PPA;

1.2 under the Electronic Government Act for system integration activities pursuant to Article 7r of the EGA - where the contracting authority is an administrative authority (as defined by Decision No. 727 of the Council of Ministers of 5 December 2019 and subsequent amendments and supplements thereto) which, in the performance of its functions related to system integration activities, entrusts the performance of such activities to the system integrator referred to in § 45, para. 1 of the Transitional and Final Provisions to the EGA, "Information Services" AD. In this case, in addition to these Methodological Instructions, the provisions of the Decision No. 481

of the Council of Ministers of 2020 on approval of the Guidelines for unification of the practice of determination and implementation of system integration activities under Article 7r of the EGA shall apply;

2. When commissioning projects/activities for the adaptation of the IS to work with the euro, the AA, in addition to the circumstances of the IS categorisation described in section II, point 1.2, shall also take into account:

2.1. whether the specific IS is under warranty/out-of-warranty for maintenance and whether the commissioning is acceptable under an existing contract;

2.2. whether a new procurement is required for development/construction, upgrade/development or maintenance.

2.3. whether the purchase of new ready-made Euro-compatible versions is necessary;

2.4. whether a clause for regulatory changes has been included in the contract for the IS that is under warranty/out-of-warranty for maintenance. The adaptation of these IS according to the requirements of the legislation (Law on the Introduction of the Euro in the Republic of Bulgaria) should be the subject of the warranty or out-of-warranty maintenance contracts.

2.5. whether for new systems which will process financial information and which have been procured and are in the process of implementation at the time of adoption of these guidelines, and for which there is no provision for working with the euro, it should be ensured that this requirement is fulfilled by means of additional agreements (additional projects) or within the framework of warranty or out-of-warranty maintenance contracts, subject to the required time limit under point P.4.1.;

2.6. whether for new systems which will process financial information and which are to be procured, it is mandatory that a clause for working with euros is included in the contract (or project award).

III. SPECIFIC GUIDELINES FOR ADAPTING THE AAs IS TO WORK WITH THE EURO

The principles, rules and procedures for the introduction of the euro as the currency of the Republic of Bulgaria are regulated by a law (Euro Act), the main purpose of which is to ensure the introduction of the euro and to increase transparency and awareness of the euro introduction process in the country.

In order to prepare the administrative authorities for the timely adaptation of their information systems processing financial information to the euro, as well as the implementation of a unified approach by all AAs, these Methodological Instructions are issued as an Annex to the National Euro Changeover Plan of Bulgaria. Therefore, this section presents general principles and rules that may be applied when adapting the IS, unless otherwise provided for in the Law on the Introduction of the Euro in the Republic of Bulgaria or any other specific law.

1. Principle of Consumer Protection

1.1. The conversion of prices and other values from leva into euro shall not result in consumers being placed at a financial disadvantage than they would have been had the euro not been introduced as the currency of the Republic of Bulgaria.

1.2. Consumers shall be provided with clear, accurate and timely information on the principles, rules and procedures for the introduction of the euro as the currency of the Republic of Bulgaria, including the procedures and rules for the exchange of leva into euro, the conversion from leva into euro and the presentation of prices of goods and services and other values in euro.

2. Principle of Efficiency and Economy

2.1. The introduction of the euro as the currency of the Republic of Bulgaria and all the procedures and activities resulting therefrom shall be carried out in the most efficient and expedient manner.

2.2. Expenditures incurred by persons as a result of the introduction of the euro as the currency of the Republic of Bulgaria shall be borne by them and shall not be compensated by public funds.

2.3. The requirements for approval by a public authority shall not apply where amendments to statutes, articles of association, articles of incorporation, rules, procedures and other internal acts or contracts relating to the performance of business or the provision of services are necessitated by the introduction of the euro in the country and concern only the conversion of values from leva into euro.

3. Principle of Transparency

The process of introducing the euro as the currency of the Republic of Bulgaria should be carried out in a transparent manner, with the responsible institutions, authorities and persons providing timely, detailed, clear, accurate and comprehensible information to the public.

4. Continuity and automatic conversion of amounts from leva into euros

4.1. The introduction of the euro shall not affect the validity of existing legal instruments with references to the lev or with references to the lev.

4.2. Values denominated in leva in existing legal instruments shall be considered to be values in euro after applying the official exchange rate and the rules for conversion under point 5.1 and for rounding under point 6.1 or under the special rounding rules provided for in the Law on the Introduction of the Euro in the Republic of Bulgaria.

4.3. The introduction of the euro shall not have the effect of modifying any term in any legal instrument or of releasing any obligation or performance under any legal instrument, nor shall it entitle a party unilaterally to modify or terminate any such instrument unless otherwise expressly agreed between the parties.

4.4. References in legal instruments to the lev without reference to the value shall be deemed to be references to the euro.

5. Rule for conversion from levs to euros

5.1. Conversion from levs to euros is carried out by dividing the numerical value in levs by the full numerical value of the official exchange rate with all five decimal places.

5.2. Conversion using a short form of the official exchange rate is not permitted.

6. Rule for rounding

6.1. After conversion according to point 5.1, the resulting sum shall be rounded to the second decimal place on the basis of the third decimal place in accordance with the following mathematical rounding rule:

a) when the third decimal place is less than five, the second decimal place remains unchanged;

b) when the third decimal place is equal to or greater than five, the second decimal place is incremented by one.

6.2. An exception to the rule in point 5.1 concerning the decimal place on the basis of which rounding is to be carried out shall be permitted only where the Law on the Introduction of the Euro in the Republic of Bulgaria or another law or legal act of the European Union provides for rounding to be carried out to a decimal place other than that specified in point 5.1.

7. Period of dual circulation of the lev and the euro

7.1. From the date of introduction of the euro in the Republic of Bulgaria for a period of one month the official monetary units on the territory of the Republic of Bulgaria shall be the lev and the euro (period of dual circulation of the lev and the euro).

7.2. Upon expiry of the period referred to in point 7.1, the lev shall cease to be legal tender on the territory of the Republic of Bulgaria.

8. Currency conversion of fees for the services provided by the AA

The conversion of fees for services from levs into euro shall be carried out by applying the conversion rules under point 5.1 and the rounding rules under point 6.1.

9. Period of dual display of fees for services provided via Internet portals, pages and Administrative Authorities' IS

9.1. The values of the services provided shall be denominated in BGN and in EUR for the period of time referred to in point 9.2, and for the fees in EUR the rules for conversion under point 5.1 and rounding under point 6.1 or the special rounding rules provided for in the Law on the Introduction of the Euro in the Republic of Bulgaria shall apply.

9.2. The period of dual display of the fees for the services provided by the AA in BGN and in EUR starts one month after the date of entry into force of the Decision on the adoption of the euro and ends 12 months after the date of introduction of the euro in the Republic of Bulgaria.

10. Indication of fees for services provided through Internet portals, pages and IS of the AAs

In the case of dual display of charges for services, the values in leva and in euro shall be clearly, unambiguously and in the same font size, accompanied by a distinctive sign or abbreviation allowing their easy identification.

11. Declaring a final amount in the fiscal/system note for the services provided by the AA

11.1. In the period of dual display, the final amount to be paid by the consumer for the service provided by the AA shall be declared in the issued fiscal/system note in BGN and in EUR.

11.2 From the date of the introduction of the euro in the Republic of Bulgaria, any person who accepts payments shall, at the time of the payment, register and record it in the information system in euro and euro cents. For this purpose, the IS shall be adapted in such a way that the relevant operations are carried out automatically.

IV. COORDINATION, PROGRESS REPORTING, COMMUNICATION AND CONTROL IN RELATION TO THE ADAPTATION OF THE AA'S IS TO WORK WITH THE EURO

1. A dedicated web-based platform (the Platform) will be developed to automate the planning, workload reporting, communication, monitoring and control processes of the AAs in relation to the adaptation of their information systems to work with the euro. The institution responsible for the development and maintenance of the Platform is the Ministry of Electronic Governance (MEG).

2. In order to ensure timely, accurate and correct information on the adaptation of the information systems in relation to the introduction of the euro, a Helpdesk Contact Centre (HCC) will be established as part of the Platform to assist the AA with any issues and/or cases.

3. Inquiries received by the HCC will be categorised according to their subject matter and referred for a response according to their competence as follows:

- 3.1. to the MEG - for technical issues in the field of electronic governance, ICT and network and information security;
- 3.2. to the Ministry of Finance - for questions related to business processes and procedures in the field of public finance;
- 3.3. if necessary, experts from other competent authorities will be involved.

4. The administrative authorities are obliged to report on the progress of the adaptation to work with the euro of each IS submitted to PAEIS through the Platform referred to in point 1.

5. Information about the Platform will be published on the official website of the MEG and on the official website for the introduction of the euro in the Republic of Bulgaria, which will be the main institutional channel for informing Bulgarian and foreign citizens, businesses and administrations, regarding all aspects of information and publicity of the process of introduction of the euro in Bulgaria.

