

Ordinance No 16*
of the BNB
of 29 March 2018
on Granting Licenses and Approvals, Entry into the
Register under Article 19 of the Law on Payment
Services and Payment Systems, and Requirements to
the Activity of Operators of Payment Systems with
Settlement Finality

(Published in the Darjaven Vestnik, issue 32 of 13 April 2018)

Chapter One

SUBJECT

Article 1. This Ordinance shall lay down:

1. the terms and procedure for licensing of a payment institution;
2. the terms and procedure for entering in the register of an account information service provider under Article 19 of the Law on Payment Services and Payment Systems;
3. the terms and procedure for licensing of an electronic money institution;
4. the terms and procedure for licensing and conducting activities as an operator of a payment system with settlement finality;
5. carrying out settlement in the Bulgarian National Bank (hereinafter referred to as the 'BNB').

Chapter Two

PAYMENT INSTITUTIONS

Section I

Granting a License of a Payment Institution

Application for Granting a License

Article 2. (1) The application for granting a license for conducting activities as a payment institution shall be filed in writing to the BNB.

* Unofficial translation provided for information purposes only. The Bulgarian National Bank bears no responsibility whatsoever as to the accuracy of the translation and is not bound by its contents.

(2) The application shall contain the applicant's name, registered and head office address, exhaustive list of payment services, which the applicant intends to provide, email and website, if any, as well as contact person details in relation to the submitted documents.

Required Documents and Information

Article 3. (1) The following documents and information related to the applicant shall be enclosed to the application under Article 2:

1. a certified copy of the Articles of Association or Memorandum (Act) of Association and in the case of a company in the process of incorporation, a certified copy of the Constituent Meeting's resolution for setting-up the company and of the minutes of the Meeting for election of management bodies;

2. documents certifying that the required capital under Article 8 of the Law on Payment services and Payment Systems, corresponding to the types of payment services, which the applicant intends to provide, has been paid; in the case of a company in the process of incorporation, a bank certificate attesting that the cash contributions have been made to a fund-raising account, and with respect to non-cash contributions the documents under Articles 72 and 73 of the Law on Commerce;

3. a declaration and documents submitted by shareholders/partners concerning the origin of funds used to make the contributions for subscribed shares, respectively stakes, or to acquire these shares/stakes;

4. a unique identification code;

5. information on whether the applicant was regulated or is being currently regulated by a competent authority in the financial services sector;

6. a comprehensive description of applicant's activities in the last three years or the period for which the company has been in operation, unless the applicant is a company in the process of incorporation;

7. a programme of activities, including at least the following:

a) a comprehensive description of all activities, which the applicant intends to perform, with information on any of the envisaged payment services concerning:

aa) a diagram of flow of funds unless the applicant intends to provide only payment services under Article 4, item 7 of the Law on Payment Services and Payment Systems;

bb) a description of funds settlement process unless the applicant intends to provide only payment services under Article 4, item 7 of the Law on Payment Services and Payment Systems;

cc) draft contracts between all the parties involved in the provision of payment services, including those with payment card schemes, if applicable;

dd) the execution time of payment transactions in accordance with the terms provided for in Articles 87 and 88 of the Law on Payment Services and Payment Systems;

ee) rules and procedures for carrying out the activities, covering the applicant, its branches and agents;

b) a copy of a draft framework contract within the meaning of Article 59, paragraph 2 of the Law on Payment Services and Payment Systems;

c) the estimated number of premises from which the applicant intends to provide the payment services and/or perform activities related to the payment service provision, including through branches or agents, and their addresses, if applicable;

d) a description of the ancillary services to the envisaged payment services, including the activities within the meaning of Article 20, paragraph 1, item 1 of the Law on Payment Services and Payment Systems, if applicable;

e) a declaration on whether the applicant intends to grant credit in accordance with Article 21 of the Law on Payment Services and Payment Systems, and the amount of such credit;

f) a declaration on whether the applicant will enter into possession of the funds involved;

g) a declaration on whether the applicant plans to provide payment services in other Member States or third countries;

h) information on whether the applicant intends, for the next three years, to provide or already provides additional activities within the meaning of Article 20 of the Law on Payment Services and Payment Systems, other than those referred to in letter 'd', including a description of the type and expected volume of the activities;

i) the information specified in EBA Guidelines (EBA/GL/2017/08) on the criteria on how to stipulate the minimum monetary amount of the professional indemnity insurance or other comparable guarantee under Article 5(4) of Directive (EU) 2015/2366 (hereinafter referred to as 'EBA/GL/2017/08 Guidelines'), in case the applicant intends to provide payment services under Article 4, items 7 and 8 of the Law on Payment Services and Payment Systems;

8. a business plan or a forecast budget for the first three years of operation, including at least the following:

a) a company's development plan and economic justification of the activity, which shall contain:

aa) the stages of implementing the company's development plan in connection with the requested payment services and the envisaged timetable for implementing the development plan with specific periods for each stage;

bb) a comprehensive analysis of the relevant payment service market segment, including of the competition and company's competitive advantages;

cc) a description of the users to whom the envisaged payment services are targeted, the marketing materials and distribution channels;

b) audited financial statements for the last three years or the period for which the company has been in operation, or a summary of the financial situation for those companies that have not yet produced annual accounts unless the applicant is in the process of incorporation;

c) a forecast budget for the first three years of operation, based on realistic estimates, showing that the applicant is able to employ appropriate and proportionate sys-

tems, resources and procedures that allow the applicant to operate soundly in accordance with Guideline 4.1, item 'c' of set of guidelines 4.1 of EBA/GL/2017/09 Guidelines on the information to be provided for licensing payment institutions and e-money institutions and registering account information service providers pursuant to Article 5(5) of Directive (EU) 2015/2366 (EBA/GL/2017/09 Guidelines), which contains:

aa) an income statement and balance sheet forecast, including target and stress scenarios, as well as their base assumptions, related to the volume and value of transactions, number of clients, pricing, average amount *per* transaction, expected increase in profitability threshold;

bb) explanations of the main lines of income and expenses, financial debts and capital assets;

cc) a diagram and detailed breakdown of the estimated cash flows for the next three years;

d) information on own funds, including the amount and detailed breakdown of the composition of initial capital, as set out in Article 8 of the Law on Payment Services and Payment Systems;

e) information on the required minimum own funds under Article 9 of the Law on Payment Services and Payment Systems, unless the applicant intends to provide only payment services under Article 4, item 7 of the Law on Payment Services and Payment Systems, which shall include an annual projection of the own funds amount and breakdown of own funds by elements for three years;

9. rules and procedures for managing the activities of a payment institution, covering applicant's activity, its branches and agents, which contain:

a) a description of the structural organisation in accordance with Guideline 5 of set of guidelines 4.1 of EBA/GL/2017/09 Guidelines, including description of applicant's interaction with other payment service providers and/or payment systems;

b) a governance arrangement and internal control mechanisms in accordance with Guideline 8 of set of guidelines 4.1 of EBA/GL/2017/09 Guidelines, including reliable and efficient administrative and accounting procedures;

c) internal control mechanisms used against money laundering and terrorist financing in accordance with Guideline 14 of set of guidelines 4.1 of EBA/GL/2017/09 Guidelines;

d) draft internal rules for measures against money laundering and terrorist financing;

e) a procedure for monitoring, handling and following up on security incidents and security-related customer complaints in accordance with Guideline 9 of set of guidelines 4.1 of EBA/GL/2017/09 Guidelines;

f) a procedure for filing, monitoring, tracking and restricting access to sensitive payment data in accordance with Guideline 10 of set of guidelines 4.1 of EBA/GL/2017/09 Guidelines;

g) business continuity arrangements in accordance with Guideline 11 of set of guidelines 4.1 of EBA/GL/2017/09 Guidelines, including a clear description of critical

processes, effective contingency plans and a procedure to regularly test and review the adequacy and efficiency of such plans;

h) the principles applied for the collection of statistical data on performance, transactions and fraud in accordance with Guideline 12 of set of guidelines 4.1 of EBA/GL/2017/09 Guidelines;

i) security rules in accordance with Guideline 13 of set of guidelines 4.1 of EBA/GL/2017/09 Guidelines;

10. measures for safeguarding payment service users' funds and payment instruments used in accordance with Guideline 7.1 of set of guidelines 4.1 of EBA/GL/2017/09 Guidelines, in case the applicant intends to provide any of the payment services under Article 4, items 1–6 of the Law on Payment Services and Payment Systems;

11. a list of the persons managing and representing the applicant, and the members of its management and supervisory bodies;

12. a list of the shareholders/partners and the shares/stakes of the capital held by them, including their unique identification code or personal identity data;

13. a diagram showing applicant's structure, which includes the name and the percentage holding (in the capital/voting rights) of each person that has or will have, directly or indirectly, a qualifying holding within the meaning of Article 4(1), item 36 of Regulation (EU) No 575/2013 in applicant's capital, identifying the persons that are considered as qualifying holders;

14. a list of the persons holding, directly or indirectly, a qualifying holding within the meaning of Article 4(1), item 36 of Regulation (EU) No 575/2013 in the applicant's capital, indicating for each person the number and type of shares or other stakes, subscribed or to be subscribed, and the nominal value of such shares or other stakes;

15. a description of the group to which the applicant belongs and information on the parent undertaking, where applicable;

16. a list of the persons that have close links with the applicant within the meaning of Article 4(1), item 38 of Regulation (EU) No 575/2013, indicating the nature of the close links with respect to each of the persons;

17. data and documents referred to in Article 5 on the persons managing and representing the applicant and the members of its management and supervisory bodies;

18. data and documents referred to in Article 6 on the persons having a qualifying holding;

19. data and documents referred to in Article 15 on the agents and branches to be used by the applicant, if any;

20. identification data of the audit firm designated under Article 10, paragraph 4, item 13 of the Law on Payment Services and Payment Systems, which is a registered auditor under the provisions of the Law on Independent Financial Audit, to include the name, registered office and head office address, and contact details;

21. an insurance contract or other equivalent document confirming the existence of professional indemnity insurance or other comparable guarantee, with a cover amount that is compliant with EBA/GL/2017/08 Guidelines, showing the coverage of

the relevant liabilities in case the applicant intends to provide payment services under Article 4, items 7 and 8 of the Law on Payment Services and Payment Systems;

22. a document on the way, in which the applicant has calculated the minimum amount of the professional indemnity insurance or other comparable guarantee in compliance with the requirements of EBA/GL/2017/08 Guidelines, including all applicable components of the formula specified in Article 14, in case the applicant intends to provide payment services under Article 4, items 7 and 8 of the Law on Payment Services and Payment Systems;

23. a declaration that the information submitted with the application and the documents attached to the application are up-to-date, complete and truthful;

24. a document evidencing that the fee under Article 70 is paid.

(2) The application for a license shall be signed by the persons managing and representing the applicant.

(3) The documents enclosed to the application shall be submitted in Bulgarian language or a certified translation.

(4) The documents enclosed to the application shall be submitted in original or in a copy certified by the applicant, and upon request, the applicant shall be obliged to submit the original of the document.

(5) The documents enclosed to the application shall be submitted on paper and on an electronic device.

(6) A document under paragraph 1 may be replaced by a notarised declaration in the cases where the legislation of a foreign country does not provide for issuance of such a document, which shall be certified by a formal document issued by the relevant competent authorities of this country.

(7) The Bulgarian National Bank may require additional documents and information to be submitted for the purpose of ascertaining all the circumstances required to assess whether the conditions for granting a license exist.

(8) The applicant shall immediately notify in writing the BNB of any changes in the information contained in the application and in the enclosed documents and information, which have occurred after filing the application.

(9) Within three months after obtaining a license, the payment institution shall submit to the BNB general terms and conditions adopted by the management body, which the payment institution shall apply in conducting its activity.

Requirements for Qualification, Professional Experience and Good Repute

Article 4. (1) The persons managing and representing the applicant and the members of its management and supervision bodies may be natural persons who:

1. have a university education;

2. have at least five-year professional experience, of which three years managerial experience in an entity in the banking or financial sector, in institutions comparable to a bank or in companies comparable to a bank within the meaning of § 1, items 2–5 of the Additional Provisions of the BNB Ordinance No 20 of 2009 on the Issuance of

Approvals to the Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Requirements for Performing their Duties;

3. have not been convicted of a premeditated crime of general character, unless rehabilitated;

4. during the last two years have not been a member of a managing or controlling body, or a general partner in a company terminated due to bankruptcy, if unsatisfied creditors have remained;

5. have not been deprived of the right to hold positions of financial responsibility;

6. have not been included in the list under Article 4b, item 3 of the Law on Measures Against Terrorist Financing; and

7. do not give rise to any doubts as to their good repute based on the data about them provided in the questionnaire declaration under Article 5, paragraph 1, item 2 and other documents.

(2) The requirements under paragraph 1, items 3 to 7 shall also apply to natural persons having directly or indirectly a qualified holding in the capital of the applicant, as well as to persons who by law represent the legal persons having directly or indirectly a qualifying holding in the capital of the applicant.

(3) The requirements under paragraph 1, items 3 to 7 shall apply also to the persons managing or representing branches and agents of the applicant.

(4) In case of a change in the persons referred to in paragraphs 1, 2 and 3, all the requirements of this Article shall be met. With respect to the persons under paragraphs 1 and 2, the payment institution shall notify the BNB and enclose the relevant documents and information before implementing the change, and with respect to the persons under paragraph 3, within seven days of the occurrence of the change at the latest.

Data on the Persons Managing and Representing the Applicant and on the Members of its Management and Supervisory Bodies

Article 5. (1) The following documents and information shall be submitted for the persons managing and representing the applicant and the members of its management and supervisory bodies:

1. the name and personal identity data, nationality (current and previous), permanent and present addresses;

2. the completed questionnaire declaration about qualification, professional experience and good repute as set out in the Appendix thereto;

3. information on the position held, including whether the management body position is executive or non-executive; a description of the person's key duties and responsibilities; an indication of the start date and duration of the mandate;

4. documents certifying the information provided under item 3;

5. where the person is not a Bulgarian citizen, a conviction status certificate, issued no more than three months before the date of submission of the application, or a similar document;

6. a certified copy of the diploma of completed higher education;

7. a declaration that the requirements under Article 4, paragraph 1, items 4–6 are complied with, and that the person has not been convicted of premeditated crime in a country, of which he is not a citizen;

8. a certificate on the lack of tax and insurance obligations;

9. where the person is a representative of a legal entity– a certified extract copy of the resolution of the competent authority for nominating him to participate in a management or supervisory body of the payment institution.

(2) The applicant shall not submit the documents and the information referred to in paragraph 1, where the persons managing and representing the applicant or members of its management and supervisory bodies, are members of the Managing Board (Board of Directors) or supervisory board of a bank licensed by the BNB or are members of the BNB Governing Council. In this case, the Bulgarian National Bank may request additional documents and information to be provided to certify the compliance with the relevant requirements under the Law on Payment Services and Payment Systems.

(3) The circumstances referred to in Article 4, paragraph 1, item 3 with respect to Bulgarian citizens shall be established *ex-officio* by the BNB under the procedure laid down in Ordinance No 8 of the Minister of Justice of 2008 on the functions and organisation of the operation of the Criminal Records Offices (Darjaven Vestnik, issue 24 of 2008).

Data on the Persons Having a Qualifying Holding

Article 6. (1) For any natural person holding or having subscribed directly or indirectly a qualifying holding within the meaning of Article 4(1), item 36 of Regulation (EU) No 575/2013 in applicant's capital, the following shall be submitted:

1. documents and information under Article 5, paragraph 1, items 1, 2, 3, 4, 5, 7 and 8;

2. a declaration and documents concerning the origin of funds used to pay the contributions for subscribed shares, respectively stakes or to acquire these shares/stakes, containing a description of the specific sources of financing person's participation in applicant's capital, including:

a) information on the use of private financial resources, their amount and source;

b) information on the access to financial markets, including data on financial instruments that are foreseen to be issued;

c) information on the use of borrowed funds indicating lenders' names and details of the credit lines granted including maturities, terms, security interests and guarantees, as well as information on the source of revenue to be used to repay such borrowings; where the lender is not a credit or financial institution to grant credit, the applicant shall provide information on the origin of the borrowed funds;

d) information on financial agreements with other persons who are partners or shareholders in the applicant company;

3. a declaration of:

a) his financial situation, assets, the type and amount of revenue for the last three years and their sources;

b) the type and amount of the liabilities assumed by him, registered pledges and mortgages placed in third parties, guarantees issued and other similar obligations;

4. the information under Guideline 15.4 in set of guidelines 4.1 of EBA/GL/2017/09 Guidelines;

5. information on any links to politically exposed persons within the meaning of Article 3, paragraph 9 of Directive (EU) 2015/849;

(2) For any legal entity holding or having subscribed directly or indirectly a qualifying holding in the capital of the applicant company, the following documents and information shall be submitted:

1. the name, registered office and head office address, contact details;

2. a unique identification code; an analogous identification code for non-residents, contact details;

3. a certified copy of the Articles of Association, Memorandum (Act) of Association or other documents evidencing establishment of the company;

4. comprehensive description of legal entity's activity and audited annual financial statements for the last three years or the period for which the company has been in operation, or a summary of the financial situation for those companies that have not yet produced financial statements unless the applicant is in the process of incorporation;

5. a certificate on the lack of tax and insurance obligations;

6. a declaration and documents referred to in paragraph 1, item 2 concerning the origin of funds used to make the contributions for subscribed shares, respectively stakes, or to acquire these shares/stakes;

7. documents and information under Article 5, paragraph 1, items 1, 2, 3, 4, 5, 7, 8 and 9 for the persons managing and representing the legal entity;

8. a declaration by the persons managing and representing the legal entity on the circumstances referred to in paragraph 1, item 3 concerning them as natural persons;

9. a certified copy of the resolution of the competent authority according to the law, the Articles of Association or Memorandum (Act) of Association for the acquisition of shares (stakes) in applicant's capital;

10. a description of the organisational structure containing a list of the shareholders (partners) of the legal entity up to the beneficial owner; the structure and allocation of its capital between shareholders (partners), indicating the names and personal identity data, nationality, permanent and present addresses, and the respective share of capital and voting rights of the direct or indirect shareholders or members, and beneficial owners within the meaning of Article 3, paragraph 6 of Directive (EU) 2015/849;

11. information under Guideline 15.4 in set of guidelines 4.1 of EBA/GL/2017/09 Guidelines;

12. a description of the regulated financial group of which applicant is a part, or may become a part, indicating the parent undertaking and the credit, insurance and

security entities within the group, as well as their competent authorities (on an individual or consolidated basis);

13. where the legal entity has its head office in a third country, general information shall be provided on the regulatory regime of that third country as applicable to the legal entity, including information on the extent to which the third country's anti-money laundering and counter-terrorist financing regime is consistent with the Financial Action Task Force Recommendations;

14. information on any links to politically exposed persons within the meaning of Article 3, paragraph 9 of Directive (EU) 2015/849;

(3) The applicant shall not submit documents and information referred to in paragraph 2, where the legal entity that holds or has subscribed a qualifying holding is the BNB or a payment service provider licensed by the BNB. In this case, the Bulgarian National Bank may request additional documents and information to be provided to certify the compliance with the relevant requirements under the Law on Payment Services and Payment Systems.

Approval for Acquisition of Control of the Shareholding

Article 7. (1) A natural person or a legal entity seeking a prior approval by the BNB within the meaning of Article 14 of the Law on Payment Services and Payment Systems to acquire or increase directly or indirectly shares or voting shares/stakes in a payment institution licensed by the BNB, if as a result of the acquisition its holding becomes qualifying within the meaning of Article 4(1), item 36 of Regulation (EU) No 575/2013, or if this holding reaches or exceeds the 20, 30 or 50 per cent thresholds of the shares/stakes or of the voting shares/stakes, as well as where the payment institution becomes a subsidiary shall submit to the BNB a written application about its decision for acquisition, specifying whether the proposed acquisition is:

1. initial or leads to an increase in the shares/stakes, and which of the thresholds is reached and/or exceeded;
2. direct or indirect;
3. carried out independently or with other persons acting in concert.

(2) To the information under paragraph 1, item 1, the following shall be added:

1. data on the shares/stakes of payment institution's capital already held, the number of shares/stakes that are to be acquired as proposed, and in relation to what amount of the capital the threshold is calculated;
2. data for the purposes of the acquisition, including the number of the shares/stakes after the acquisition and their share in the capital.

(3) In case of an indirect acquisition, the information under paragraph 1 shall be complemented by details on the manner in which this acquisition will be implemented, as follows:

1. by acquiring a qualifying holding or its increase in the capital of a shareholder/partner who controls the payment institution, or

2. by acquiring control of a shareholder/partner having a qualifying holding in the payment institution.

(4) Where the acquisition or a part thereof is implemented with other persons acting in concert, the application shall contain detailed information of the legal and factual grounds of the actions in concert and shall be filed by:

1. each person that will acquire directly a qualifying or a higher holding;
2. the person having the highest share where no one of the persons acting in concert will acquire a qualifying or a higher holding;
3. any of the persons outside the cases under item 1, if their shares are equal.

(5) The documents and information referred to in Article 6, paragraphs 1 and 2 concerning the applicant and the document evidencing the payment of a fee under Article 70 shall be enclosed to the application.

Section II

Capital of the Payment Institution

Initial Capital

Article 8. (1) The initial capital set out in Article 8 of the Law on Payment Services and Payment Systems, which the payment institution holds as of the time of obtaining the license shall comprise one or more of the following items:

1. capital instruments, provided the conditions laid down in Article 28 of Regulation (EU) No 575/2013 or, where applicable, the conditions laid down in Article 29 of Regulation (EU) No 575/2013 are met;
2. share premium accounts related to the instruments referred to in item 1;
3. retained earnings within the meaning of Article 4, paragraph 1, item 123 of Regulation (EU) No 575/2013;
4. accumulated other comprehensive income within the meaning of Article 4, paragraph 1, item 100 of Regulation (EU) No 575/2013;
5. other reserves.

(2) The items referred to in paragraph 1, items 3–5 shall be recognised only where they are available for unrestricted and immediate use to cover risks or losses as soon as these occur.

(3) The retained earnings under paragraph 1, item 3 may be included in the capital after the annual financial statements have been adopted by the company's general meeting, the dividends have been paid and the other deductions have been made. Once included as an item of the capital, retained earnings can be used for dividends only after approval by the BNB.

Own Funds

Article 9. (1) The payment institution shall at all times hold own funds in the amount that may not fall below the amount required under Article 8 or Article 9 of the Law on Payment Services and Payment Systems, whichever the higher.

(2) Where a payment institution belongs to the same group, to which also belongs another payment institution, credit institution, investment intermediary, asset management company or insurance company, the items meeting the requirements of own funds shall not be used more than once in the calculation of own funds. This requirement shall also apply when the payment institution performs ancillary activities set out in Article 20 of the Payment Services and Payment Systems.

Own Funds Reports

Article 10. (1) The payment institution shall prepare an own funds report on the basis of the balance sheet by the last day of each quarter. This report shall be submitted to the BNB Banking Department by the 15th day of the month following the reporting quarterly period.

(2) The Bulgarian National Bank may require a payment institution to submit the own funds report under paragraph 1 at different frequency and different deadline for submitting the report.

(3) The Bulgarian National Bank may require a payment institution to submit information on its own funds on a consolidated basis for a specific period.

(4) The BNB Deputy Governor heading the Banking Department shall determine in instructions the form and content of the report referred to in paragraph 1.

Additional Information

Article 11. The payment institution shall notify the BNB of the activities related to the payment services referred to in Articles 20 and 21 of the Law on Payment Services and Payment Systems, which it intends to perform within one month before commencing the respective activities.

Payment Institution's Obligations to Provide Information

Article 12. (1) A company licensed as a payment institution shall submit to the BNB annual financial statements certified by an audit company, which is a registered auditor under the Law on the Independent Financial Audit and meets the requirements set out in Article 25, paragraph 1 of the Law on Payment Services and Payment Systems within seven days of receipt of the audit report but not later than 15 July of the calendar year following the year to which the report refers.

(2) The Bulgarian National Bank may require a company licensed as a payment institution to submit to the BNB interim financial statements.

(3) The payment institution shall without undue delay notify the BNB in the following cases:

1. if its solvency is under threat;
2. If payment institution's own funds amount has fallen below the amount set out in Article 8 or Article 9 of the Law on Payment Services and Payment Systems, whichever the higher.

Section III

**Professional Indemnity Insurance
or Other Comparable Guarantee***Criteria and Indicators Stipulating the Minimum Monetary Amount of the
Professional Indemnity Insurance or Other Comparable Guarantee*

Article 13. When stipulating the minimum monetary amount of the professional indemnity insurance or other comparable guarantee under Article 10, paragraph 6 and Article 18, paragraph 2, item 1 of the Law on Payment Services and Payment Systems, the following criteria and their indicators shall be used:

1. the risk profile criterion to include:
 - a) the value of requests for refunds to cover the liabilities referred to in Articles 79, 91, 92, Article 93, paragraph 1 and Articles 94 and 95 of the Law on Payment Services and Payment Systems, received by the undertaking;
 - b) the number of initiated payment transactions by an undertaking that provides payment services under Article 4, item 7 of the Law on Payment Services and Payment Systems;
 - c) the number of payment accounts accessed by a company that provides payment services under Article 4, item 8 of the Law on Payment Services and Payment Systems;
2. the type of activity criterion according to whether:
 - a) the company provides exclusively the payment services under Article 4, item 7 or the payment services under Article 4, item 8 of the Law on Payment Services and Payment Systems, or both;
 - b) the company provides other payment services as referred to in Article 4, items 1–6 of the Law on Payment Services and Payment Systems;
 - c) the company is engaged in business other than payment services;
3. The size of activity criterion to include:
 - a) the value of the transactions initiated for a company that provides payment services as referred to in Article 4, item 7 of the Law on Payment Services and Payment Systems;
 - b) the number of clients that make use of account information services for a company that provides payment services under Article 4, item 8 of the Law on Payment Services and Payment Systems;
4. The comparable guarantee criterion to include:
 - a) specific characteristics of the comparable guarantee;
 - b) triggering the implementation of the comparable guarantee.

Calculation of the Minimum Monetary Amount of the Professional Indemnity Insurance or Other Comparable Guarantee

Article 14. (1) The minimum monetary amount of the professional indemnity insurance shall be equal to the sum of the amounts reflective of the criteria risk profile, type of activity and size of activity, respectively.

(2) The amounts under paragraph 1 shall be calculated by adding the values of the respective indicators under each criterion, filled according to EBA Guidelines 5–7 on the Criteria on how to stipulate the minimum monetary amount of the professional indemnity insurance or other comparable guarantee (EBA/GL/2017/08).

(3) The minimum monetary amount of the professional indemnity insurance or comparable guarantee under paragraph 1, calculated by the applicant, shall be expressed as a figure *per year*.

(4) The review and the recalculation of the minimum monetary amount under paragraph 1 shall be done on an annual basis, of which the BNB shall be notified within one month.

Section IV

Agents and Branches of a Payment Institution

Registration of an Agent and a Branch

Article 15. (1) Where a payment institution licensed by the BNB intends to provide payment services through an agent on the territory of the Republic of Bulgaria, it shall submit to the BNB the following information and documents:

1. the name, registered office and head office address of the agent;
2. the unique identification code of the agent;
3. a description of the payment services that the payment institution shall provide through its agent;
4. the list of the persons who manage and represent the agent, as well as the documents and information on these persons under Article 5 certifying compliance with the requirements under Article 4, paragraph 1, items 3–7;
5. a declaration that the internal control mechanisms under Article 3, paragraph 1, item 9 ‘c’ also cover the agent which the payment institution wishes to register;
6. contact details of the agent;
7. a document evidencing that the fee under Article 70 is paid.

(2) Where the agent is an institution licensed or registered by the BNB, the payment institution may submit to the BNB only the date and number of already submitted information in line with the requirements of another legislative act, which is consistent with the content and volume of the information required under paragraph 1.

(3) Where a payment institution licensed by the BNB intends to provide payment services through an agent on the territory of another Member State, it shall submit to the BNB the following information and documents:

1. documents and information under paragraph 1, items 1, 3, 4, 6 and 7;

2. identification or tax number of the agent issued by the competent body in the Member State where it is established;

3. a description of the organisational structure of the agent or the branch, including the number of offices and employees, and the manner of reporting to the payment institution;

4. a description of internal control mechanisms which will be used by the agent against money laundering and terrorist financing in accordance with Guideline 14.1 of set of guidelines 4.1 of EBA/GL/2017/09 Guidelines;

5. a description of the procedures for controlling the agent regarding compliance with the measures against money laundering and terrorist financing;

6. outsourcing arrangements of the host Member State, if such is provided for.

(4) Where a payment institution licensed by the BNB intends to provide payment services through a branch on the territory of another Member State, it shall submit to the BNB the documents and the information referred to in paragraph 3, as well as:

1. a business plan and forecast budget of the branch's activity, containing branch's main objectives and business strategy, including those related to the payment institution's activity, and where applicable, of the group, as well as a forecast budget for the first three years of operation;

2. a description of the governance framework and internal control mechanisms concerning branch's activity, including administrative and accounting procedures and risk management procedures, containing:

a) a description of branch's governance structure, including functional links and branch's place and role in the corporate structure of the payment institution and, where applicable, of the group;

b) a description of branch's internal control mechanisms, including branch's procedures for internal risk control, the relation with payment institution's procedure for internal risk control and, where applicable, of the group, as well as branch's internal control rules.

(5) Within seven days of the notification to the payment institution of the BNB's decision to enter in the register the agent or the branch as provided for in Article 32, paragraph 7 of the Law on Payment Services and Payment Systems, the payment institution shall notify the BNB of the date from which it commences its activities through an agent or branch on the territory of another Member State.

(6) The BNB shall enter, refuse to enter or delete an agent or a branch of a payment institution from the Register maintained by the BNB under Article 19 of the Law on Payment Services and Payment Systems by an order of the Deputy Governor heading the Banking Department on the grounds laid down in Article 29 of the Law on Payment Services and Payment Systems.

(7) Payment institutions which will operate through a branch, an agent or directly on the territory of another Member State upon fulfilment of the requirements of Article 32 of the Law on Payment Services and Payment Systems and this Ordinance shall also be entered in the BNB register.

(8) An agent of a payment institution shall not provide payment services *via* third parties.

(9) Where data under paragraphs 1, 3 and 4 have changed, the payment institution shall submit the relevant documents and information to the BNB within seven days of occurrence of the change.

Central Contact Point

Article 16. (1) A payment institution licensed in another Member State which provides payment services on the territory of the Republic of Bulgaria through agents shall establish a central contact point in the Republic of Bulgaria in the event that:

1. the payment institution operating on the territory of Bulgaria has at least ten agents under the right of establishment;

2. the value of the payment transactions executed on the territory of the Republic of Bulgaria through agents under the right of establishment or the freedom to provide services for the previous calendar year, including payment transactions initiated in the provision of the service under Article 4, item 7 of the Law on Payment Services and Payment Systems, exceeds BGN 6 million or its foreign currency equivalent and the payment institution operates on the territory of Bulgaria under the right of establishment through at least two agents; or

3. the total number of payment transactions executed on the territory of Bulgaria through agents under the right of establishment or the freedom to provide services for the previous calendar year including the number of the payment transactions referred to in Article 4, item 7 of the Law on Payment Services and Payment Systems, exceeds 100 000 transactions and the payment institution operates on the territory of Bulgaria under the right of establishment through at least two agents.

(2) The payment institution shall entrust the central contact point with communication and reporting of information to the BNB in relation to the operation of payment institution's agents on the territory of the Republic of Bulgaria, including provision of statistical data on the payment services provided on the territory of the Republic of Bulgaria and submitting to the BNB the report referred to in Article 51, paragraph 1 of Ordinance No 3 of the BNB of 2018 on the Terms and Procedure for Opening Payment Accounts, Executing Payment Transactions and Using Payment Instruments. The central contact point shall facilitate the competent authorities of the home Member State or the BNB in carrying out supervisory examinations of the agents and implementing supervisory measures imposed by the competent authorities.

(3) The payment institution shall submit to the BNB the following information and documents on the establishment of a central contact point:

1. the name, registered office and head office address of the point;
2. the unique identification code;
3. the list of the persons who manage and represent the central contact point;
4. contact details of the central contact point.

(4) Where data under paragraph 3 have changed, the payment institution shall submit the relevant documents and information to the BNB within seven days of occurrence of the change.

(5) The payment institution shall submit to the BNB documents and information under paragraph 3 by 31 January of the year following the calendar year in which any of the circumstances set out in paragraph 1 has occurred.

Chapter Three

ACCOUNT INFORMATION SERVICE PROVIDERS

Application for Registration

Article 17. (1) The application for entering an account information service provider in the Register under Article 19 of the Law on Payment Services and Payment Systems shall be filed in writing to the BNB.

(2) The application shall contain the applicant's name, registered and head office address, indication of the account information service it intends to provide, email and website, if any, as well as contact person details with respect to the submitted documents.

Required Documents and Information

Article 18. (1) The following documents and information related to the applicant shall be enclosed to the application under paragraph 17:

1. a certified copy of the Articles of Association or Memorandum (Act) of Association and in the case of a company in the process of incorporation, a certified copy of the Constituent Meeting's resolution for setting-up the company and of the minutes of the Meeting for election of management bodies;

2. a declaration and documents submitted by shareholders/partners concerning the origin of funds used to make the contributions for subscribed shares, respectively stakes, or to acquire these shares/stakes;

3. a unique identification code;

4. information on whether the applicant was regulated or is being currently regulated by a competent authority in the financial services sector;

5. a comprehensive description of applicant's activities in the last three years or the period for which the company has been in operation, unless the applicant is a company in the process of incorporation;

6. a programme of activities, including at least the following:

a) a comprehensive description of the account information service which the applicant intends to provide, containing:

aa) draft contracts between all the parties involved in the provision of the payment service, if applicable;

bb) general terms and conditions for the provision of account information services;

cc) the execution time of the account information service to be provided;

b) estimated number of premises from which the applicant intends to provide the account information service, and their addresses, if applicable;

c) a description of the ancillary services to the account information services, including the activities within the meaning of Article 20, paragraph 1, item 1 of the Law on Payment Services and Payment Systems, if applicable;

d) a declaration that the applicant will not at any time enter into possession of the funds involved;

e) a declaration on whether the applicant plans to provide account information services also in other Member States or third countries;

f) information on whether the applicant intends, for the next three years, to provide or already provides additional activities within the meaning of Article 20 of the Law on Payment Services and Payment Systems, other than those referred to in letter 'd', including a description of the type and expected volume of the activities;

g) the information specified in EBA/GL/2017/08 Guidelines;

7. a business plan and a forecast budget for the first three years of operation, including at least the following:

a) a company's development plan and economic justification of the activity, which contains:

aa) the stages of implementing company's development plan in connection with the requested account information service and the envisaged timetable for implementing the development plan with specific periods for each stage;

bb) a comprehensive analysis of the relevant payment service market segment, including of the competition and company's competitive advantages;

cc) a description of the users at whom the envisaged account information services, the marketing materials and distribution channels are targeted;

b) audited annual financial statements for the last three years or the period for which the company has been in operation, or a summary of the financial situation for those companies that have not yet produced annual financial statements unless the applicant is in the process of incorporation;

c) a forecast budget for the first three years of operation, based on realistic estimates, showing that the applicant is able to employ appropriate and proportionate systems, resources and procedures that allow the applicant to operate soundly in accordance with Guideline 4.1, item 'c' of set of guidelines 4.3 of EBA Guidelines (EBA/GL/2017/09), which contains:

aa) an income statement and balance sheet forecast, including target and stress scenarios, as well as their base assumptions, related to the volume and value of transactions, number of clients, pricing, average amount *per* transaction, expected increase in profitability threshold;

bb) explanations of the main lines of income and expenses, the financial debts and the capital assets;

cc) a diagram and detailed breakdown of the estimated cash flows for the next three years;

8. rules and procedures for managing the activities of an account payment service provider, covering applicant's activity, its branches and agents, which contain:

a) a description of the structural organisation in accordance with Guideline 5 of set of guidelines 4.2 of EBA/GL/2017/09 Guidelines, including a description of applicant's interaction with other payment service providers and/or payment systems;

b) a governance arrangement and internal control mechanisms in accordance with Guideline 6 of set of guidelines 4.2 of EBA/GL/2017/09 Guidelines, including reliable and efficient administrative and accounting procedures;

c) a procedure for monitoring, handling and following up of security incidents and security-related customer complaints in accordance with Guideline 7 of set of guidelines 4.2 of EBA/GL/2017/09 Guidelines;

d) a procedure for filing, monitoring, tracking and restricting access to sensitive payment data in accordance with Guideline 8 of set of guidelines 4.2 of EBA/GL/2017/09 Guidelines;

e) business continuity arrangements in accordance with Guideline 9 of set of guidelines 4.2 of EBA/GL/2017/09 Guidelines, including a clear description of critical processes, effective contingency plans and a procedure to regularly test and review the adequacy and efficiency of such plans;

f) security rules in accordance with Guideline 10 of set of guidelines 4.2 of EBA/GL/2017/09 Guidelines;

9. a list of the persons managing and representing the applicant, and the members of its management and supervisory bodies;

10. documents and information referred to in Article 5 on the persons managing and representing the applicant and the members of its management and supervisory bodies;

11. an insurance contract or other equivalent document confirming the existence of professional indemnity insurance or other comparable guarantee, with a cover amount that is compliant with EBA/GL/2017/08 Guidelines showing the coverage of the relevant liabilities;

12. a document on how the applicant has calculated the minimum amount of the professional indemnity insurance or other comparable guarantee, in compliance with the requirements of EBA/GL/2017/08 Guidelines, including all applicable components of the formula specified in Article 14;

13. a declaration that the information submitted with the application and the documents attached to the application are up-to-date, complete and truthful;

14. a document evidencing that the fee under Article 70 is paid.

(2) The provisions of Article 3, paragraphs 2–9 shall apply to the application and the documents and information enclosed thereto.

(3) After its registration, the account information service provider shall without undue delay inform the BNB about any changes in the information and documents provided in connection with the registration.

Requirements for Qualification, Professional Experience and Good Repute

Article 19. The provisions of Article 4, paragraphs 1 and 4 shall apply to the persons managing and representing the applicant and the members of its management and supervisory bodies.

Data on the Persons Managing and Representing the Applicant and on the Members of its Management and Supervisory Bodies

Article 20. The documents and information under Article 5 shall be submitted for the persons managing and representing the applicant and the members of its management and supervisory bodies.

Agents and Branches of an Account Information Service Provider

Article 21. (1) The provisions of Article 4, paragraphs 3 and 4 shall apply to the persons managing and representing branches and agents of the applicant.

(2) Where an account information service provider registered by the BNB intends to provide account information services on the territory of another Member State through a branch or an agent, it shall submit the documents and information under Article 15, paragraphs 3 and 4, respectively.

(3) The provisions of Article 15, paragraphs 5–9 shall apply to the branches and agents of an account information service provider.

Chapter Four

ELECTRONIC MONEY INSTITUTIONS

Section I

Licensing of Electronic Money Institutions

Application for Granting a License

Article 22. (1) The application for granting a license for operating as a payment institution shall be filed in writing to the BNB.

(2) The application shall contain the applicant's name, registered and head office address, an exhaustive description of the activity related to issuing electronic money, which the applicant intends to carry out, email and website, if any, as well as contact person details with respect to the submitted documents.

Required Documents and Information

Article 23. (1) The following documents and information related to the applicant shall be enclosed to the application under paragraph 22:

1. a certified copy of the Articles of Association or Memorandum (Act) of Association and in the case of a company in the process of incorporation, a certified copy of

the Constituent Meeting's resolution for setting-up the company and of the minutes of the meeting for election of management bodies;

2. documents certifying that the required capital under Article 38 of the Law on Payment Services and Payment Systems has been paid; in the case of a company in the process of incorporation, a bank certificate attesting that the cash contributions have been made to a fund-raising account, and with respect to non-cash contributions, the documents under Articles 72 and 73 of the Law on Commerce;

3. a declaration and documents submitted by shareholders/partners concerning the origin of funds used to make the contributions for subscribed shares, respectively stakes, or to acquire these shares/stakes;

4. a unique identification code;

5. information on whether the applicant was regulated or is being currently regulated by a competent authority in the financial services sector;

6. a comprehensive description of applicant's activities for the last three years or the period for which the company has been in operation, unless the applicant is in the process of incorporation;

7. a programme of activities, including at least the following:

a) a comprehensive description of activities in issuing, distributing, and redeeming electronic money and providing payment services which the applicant intends to provide, indicating each of the envisaged services of:

aa) a diagram of flow of funds ;

bb) a description of funds settlement process;

cc) draft contracts between all the parties involved in the provision of payment services, including those with payment card schemes, if applicable;

dd) the execution time of services related to activities in issuing electronic money, and where applicable, the execution time of payment transactions under Articles 87 and 88 of the Law on Payment Services and Payment Systems;

b) a copy of a draft contract between the electronic money issuer and the electronic money holder and a draft framework contract within the meaning of Article 59, paragraph 2 of the Law on Payment Services and Payment Systems on provision of payment services if the applicant envisages to provide such services;

c) the estimated number of premises from which the applicant intends to issue, distribute and redeem electronic money or provide the payment services, including through branches or agents, and their addresses, if applicable;

d) a description of the ancillary activities to the issue of electronic money or provision of payment services, including the activities within the meaning of Article 42, paragraph 1, item 3 of the Law on Payment Services and Payment Systems, if applicable;

e) a declaration on whether the applicant intends to extend loans under Article 21 of the Law on Payment Services and Payment Systems, and the amounts of such loans, where the applicant envisages to provide payment services in addition to the issue, distribution and redemption of electronic money;

f) a declaration on whether the applicant will enter into possession of the funds involved;

g) a declaration on whether the applicant plans to issue, distribute and redeem electronic money or provide payment services in other Member States or third countries;

h) an indication of whether the applicant intends, for the next three years, to provide or already provides additional activities within the meaning of Article 42 of the Law on Payment Services and Payment Systems, other than those referred to in letter 'd', including a description of the type and expected volume of the activities;

i) the information specified in EBA Guidelines EBA/GL/2017/08 in case the applicant intends to provide payment services under Article 4, items 7 and 8 of the Law on Payment Services and Payment Systems;

8. a business plan or a forecast budget for the first three years of operation, including at least the following:

a) a company's development plan and economic justification of the activity, which shall contain:

aa) the stages of implementing the company's development plan in connection with the issue, distribution and redemption of electronic money or provision of requested payment services and the envisaged timetable for implementing the development plan with specific periods at each stage;

bb) a comprehensive analysis of the electronic money market, and if the applicant envisages to provide payment services, of the relevant payment service market segment, including of the competition and company's individual competitive advantages;

cc) a description of electronic money holders and users of payment services at whom the envisaged payment services are targeted, if the applicant envisages to provide payment services, marketing materials and distribution channels;

b) audited financial statements for the last three years or the period for which the company has been in operation, or a summary of the financial situation for those companies that have not yet produced annual financial statements unless the applicant is in process of incorporation;

c) a forecast budget for the first three years of operation, based on realistic estimates, showing that the applicant is able to employ appropriate and proportionate systems, resources and procedures that allow the applicant to operate soundly in accordance with Guideline 4.1, item 'c' in set of guidelines 4.3 of EBA Guidelines (EBA/GL/2017/09), which contains:

aa) an income statement and balance-sheet forecast, including target and stress scenarios, as well as their base assumptions, related to the volume and value of transactions, number of clients, pricing, average amount *per* transaction, expected increase in profitability threshold;

bb) explanations of the main lines of income and expenses, financial debts and capital assets;

cc) a diagram and detailed breakdown of the estimated cash flows for the next three years;

d) information on own funds, including the amount and detailed breakdown of the composition of initial capital, as set out in Article 38 of the Law on Payment Services and Payment Systems;

e) information on the required minimum own funds under Article 39, paragraph 3 of the Law on Payment Services and Payment Systems, if the electronic money institution intends to provide only services on issuing, distributing and redeeming electronic money, or if the electronic money institution envisages to provide also payment services under Article 9, paragraphs 1 and 2 of the Law on Payment Services and Payment Systems, which shall include an annual projection of the amount of own funds and a breakdown of own funds by element for three years;

9. rules and procedures for managing the activities of an electronic money institution, covering the applicant's activity, its branches and agents, which contain:

a) a description of the structural organisation in accordance with Guideline 5 in set of Guidelines 4.3 of EBA/GL/2017/09 Guidelines, including a description of applicant's interaction with other payment service providers and/or payment systems;

b) a governance arrangement and internal control mechanisms in accordance with Guideline 8 in set of guidelines 4.3 of EBA/GL/2017/09 Guidelines, including reliable and effective administrative and accounting procedures;

c) internal control mechanisms used against money laundering and terrorist financing in accordance with Guideline 14 in set of guidelines 4.3 of EBA/GL/2017/09 Guidelines;

d) draft internal rules of measures against money laundering and terrorist financing;

e) a procedure for monitoring, handling and tracking security incidents and security-related customer complaints in accordance with Guideline 9 in set of guidelines 4.3 of EBA/GL/2017/09 Guidelines;

f) a procedure for filing, monitoring, tracking and restricting the access to sensitive payment data in accordance with Guideline 10 in set of guidelines 4.3 of EBA/GL/2017/09 Guidelines;

g) business continuity arrangements in accordance with Guideline 11 in set of guidelines 4.3 of EBA/GL/2017/09 Guidelines, including a clear description of critical processes, effective contingency plans and a procedure to regularly test and review the adequacy and efficiency of such plans;

h) the principles applied to the collection of statistical data on performance, transactions and fraud in accordance with Guideline 12 in set of guidelines 4.3 of EBA/GL/2017/09 Guidelines;

i) security rules in accordance with Guideline 13 in set of guidelines 4.3 of EBA/GL/2017/09 Guidelines;

10. measures for safeguarding electronic money holders' funds and/or payment service users' funds and payment instruments used in accordance with Guideline 7.1 in set of guidelines 4.3 of EBA/GL/2017/09 Guidelines;

11. a list of the persons managing and representing the applicant and the members of its management and supervisory bodies;
12. a list of the shareholders/partners and the shares/holdings of the capital held by them, including their unique identification code or personal identity data;
13. a diagram showing applicant's structure, which includes the name and the percentage holding (in the capital/voting rights) of any person that have or will have, directly or indirectly, a qualifying holding within the meaning of Article 4(1), item 36 of Regulation (EU) No 575/2013 in applicant's capital, indicating the persons considered to be holders of a qualifying holding;
14. a list of the persons holding, directly or indirectly, a qualifying holding within the meaning of Article 4(1), item 36 of Regulation (EU) No 575/2013 in the applicant's capital, indicating for each such person the number and type of shares or other stakes, subscribed or to be subscribed, and the nominal value of such shares or other stakes;
15. a description of the group to which the applicant belongs and information on the parent undertaking, where applicable;
16. a list of the persons that have close links with the applicant within the meaning of Article 4(1), item 38 of Regulation (EU) No 575/2013, indicating the nature of the close links with respect to each of the persons;
17. documents and information referred to in Article 25 on the persons managing and representing the applicant and the members of its management and supervisory bodies;
18. documents and information referred to in Article 26 on the persons having a qualifying holding;
19. documents and information referred to in Article 32 on the agents and branches to be used by the applicant, if any;
20. identification data of the audit company designated under Article 10, paragraph 4, item 13 of the Law on Payment Services and Payment Systems, which is a registered auditor under the provisions of the Law on Independent Financial Audit, to include the name, registered office and head office address, and contact details;
21. an insurance contract or other equivalent document confirming the existence of professional indemnity insurance or other comparable guarantee, with a cover amount that is compliant with EBA/GL/2017/08 Guidelines, showing the coverage of the relevant liabilities in case the applicant intends to provide payment services under Article 4, items 7 and 8 of the Law on Payment Services and Payment Systems;
22. a document on how the applicant has calculated the minimum amount of the professional indemnity insurance or other comparable guarantee, in compliance with the requirements of EBA/GL/2017/08 Guidelines, including all applicable components of the formula specified in Article 14, in case the applicant intends to provide payment services under Article 4, items 7 and 8 of the Law on Payment Services and Payment Systems;
23. a declaration that the information submitted with the application and the documents enclosed to the application are up-to-date, complete and truthful;

24. a document evidencing that the fee under Article 70 is paid.

(2) The provisions of Article 3, paragraphs 2–9 shall apply to the application and the documents and information enclosed thereto.

Requirements for Qualification, Professional Experience and Good Repute

Article 24. The provisions under Article 4, paragraphs 1, 2 and 4 shall apply to the persons managing and representing the applicant, the members of its management and supervisory bodies, as well as to natural persons having directly or indirectly a qualified holding in the applicant's capital, and to the persons who by law represent the legal entities having directly or indirectly a qualifying holding in the capital of the applicant.

Data on the Persons Managing and Representing the Applicant and the Members of its Management and Supervisory Bodies

Article 25. (1) The documents and information under Article 5 shall be submitted for the persons managing and representing the applicant and the members of its management and supervisory bodies.

Data on the Persons Having a Qualifying Holding

Article 26. ((1) For any natural person or legal entity having or having subscribed directly or indirectly a qualifying holding within the meaning of Article 4(1), item 36 of Regulation (EU) No 575/2013 in the applicant's capital, the documents and information under Article 6, paragraphs 1 and 2 shall be submitted.

(2) The applicant shall not submit documents and information under Article 6, paragraph 2, where the legal entity, which holds or has subscribed a qualifying holding, is the BNB or a payment service provider licensed by the BNB. In this case, the Bulgarian National Bank may request additional documents and information to be provided to certify the compliance with the relevant requirements under the Law on Payment Services and Payment Systems.

Approval for Acquisition of Control of the Shareholding

Article 27. (1) A natural person or legal entity seeking a prior approval by the BNB within the meaning of Article 14 of the Law on Payment Services and Payment Systems to acquire or increase directly or indirectly shares/stakes or voting shares/stakes in an electronic money institution licensed by the BNB, if as a result of the acquisition the holding becomes qualifying within the meaning of Article 4(1), item 36 of Regulation (EU) No 575/2013, or if this holding reaches or exceeds the 20, 30 or 50 per cent thresholds of the shares/stakes or the voting shares/stakes, as well as if the electronic money institution becomes a subsidiary shall submit to the BNB a written application about its decision for acquisition, enclosing the documents and information under Article 7 thereto.

Section II

Capital of the Electronic Money Institution

General Provisions

Article 28. (1) The initial capital under Article 38 of the Law on Payment Services and Payment Systems, which the electronic money institution shall hold at the time of obtaining the license, shall include one or more elements under Article 8, paragraph 1, items 1–5.

(2) Provisions under Article 8, paragraphs 2 and 3 shall apply to the initial capital of the electronic money institution.

(3) The electronic money institution shall at any time hold own funds in the amount, that may not fall under the higher of the values under Article 38 or Article 39, paragraphs 2–6 of the Law on Payment Services and Payment Systems.

(4) Where a payment institution belongs to the same group, to which also belongs another electronic money institution, credit institution, payment institution, investment intermediary, asset management company, or insurance company or reinsurance company, the items meeting the requirements of own funds shall not be used more than once in the calculation of own funds. This requirement shall also apply where the electronic money institution performs ancillary activities set out in Article 42 of the Law on Payment Services and Payment Systems.

(5) Where the electronic money institution performs any of the ancillary activities set out in Article 42 of the Payment Services and Payment Systems and the value of outstanding electronic money is not known in advance, the electronic money institution may calculate the amount of own funds based on a representative share, for which it is supposed that it will be used for issuing electronic money, if such a representative share can be reasonably estimated based on historical data and in a reliable manner.

(6) Where the electronic money institution has not carried out business activity for enough long time, the own funds requirements of an electronic money institution shall be calculated on the basis of forecast data on outstanding electronic money, supported by the submitted business plan, which shall be subject to adjustments in the said business plan.

Own Funds Reports

Article 29. (1) The electronic money institution shall prepare an own funds report on the basis of the balance sheet at the last day of each quarter. This report shall be submitted to the BNB Banking Department by the 15th day of the month following the reporting quarterly period.

(2) The Bulgarian National Bank may require an electronic money institution to submit the own funds report under paragraph 1 at different frequency and different deadline for submitting the report.

(3) The Bulgarian National Bank may require an electronic money institution to submit information on its own funds on a consolidated basis for a specific period.

(4) The BNB Deputy Governor heading the Banking Department shall issue instructions to determine the form and content of the report referred to in paragraph 1.

Additional Information

Article 30. The electronic money institution shall notify the BNB of the ancillary activities referred to in Articles 42 of the Law on Payment Services and Payment Systems, which it intends to perform, within one month before commencing the said activities.

Obligations to Provide Information by the Electronic Money Institution

Article 31. (1) A company licensed to conduct operations as an electronic money institution shall submit to the BNB annual financial statements and interim financial statements in accordance with the provisions of Article 12, paragraphs 1 and 2.

(2) Electronic money institutions shall immediately notify the BNB in the following cases:

1. if their solvency is under threat;
2. if the electronic money institution's own funds have fallen under the higher of the values under Article 38 or Article 39, paragraphs 2–6 of the Law on Payment Services and Payment Systems.

Section III

Agents and Branches of Electronic Money Institutions

Registration of Agents and Branches

Article 32. (1) Electronic money institutions shall not issue electronic money through agents.

(2) Electronic money institutions may distribute and redeem electronic money and provide payment services through agents.

(3) Where an electronic money institution licensed by the BNB intends to conduct on the territory of Bulgaria the activities referred to in paragraph 2, it shall submit to the BNB the following documents and information:

1. a description of the services that the electronic money institution will provide through the agent;
2. documents and information under Article 15, paragraph 1, items 1, 2, 4, 5, 6 and 7.

(4) Where the agent is an electronic money institution licensed or registered by the BNB, the electronic money institution shall submit to the BNB only information about the date and number of already submitted information in line with the requirements of another legislative act, which is consistent with the content and volume of the information required under paragraph 3.

(5) Where an electronic money institution licensed by the BNB intends to conduct the activities specified under paragraph 2 through an agent on the territory of another Member State, it shall submit to the BNB a description of the services which the electronic money institution will carry out through the agent, as well as documents and information under Article 15, paragraph 3.

(6) Where an electronic money institution licensed by the BNB intends to carry out activities through a branch on the territory of another Member State, it shall submit to the BNB a description of the services which the electronic money institution will carry out through the branch, as well as documents and information under Article 15, paragraph 4.

(7) Within seven days of the notification to the electronic money institution of the BNB's decision to register the agent or the branch as provided for in Article 32, paragraph 7 of the Law on Payment Services and Payment Systems, the electronic money institution shall notify the BNB of the date from which it commences its activities through an agent or branch on the territory of another Member State.

(8) The BNB shall enter, refuse to enter or delete an agent or a branch of an electronic money institution from the Register maintained by the BNB under Article 19 of the Law on Payment Services and Payment Systems by an order of the Deputy Governor heading the Banking Department on the grounds laid down in Article 43 of the Law on Payment Services and Payment Systems.

(9) Electronic money institutions licensed in Bulgaria, which will carry out activities directly or through a branch, or carry out the activities specified under paragraph 2 through an agent on the territory of another Member State upon satisfying the requirements under Article 43 of the Law on Payment Services and Payment Systems shall be entered in the register with the BNB.

(10) An agent of an electronic money institution shall not carry out the activities under paragraph 2 *via* third parties.

(11) Where data under paragraphs 3, 5 and 6 have changed, the electronic money institution shall submit the relevant documents and information to the BNB within seven days after the occurrence of the change.

Central Contact Point

Article 33. (1) An electronic money institution licensed in another Member State which carries out the activities under Article 32, paragraph 2 on the territory of Bulgaria through agents shall establish a central contact point in the Republic of Bulgaria in the event that:

1. the number of agents through which the electronic money institution carries out activities on the territory of Bulgaria under the right of establishment is not less than ten;

2. the value of the payment transactions executed and/or electronic money distributed on the territory of Bulgaria through agents under the right of establishment or the freedom to provide services for the previous calendar year, including of payment

transactions initiated in the provision of the service under Article 4, item 7 of the Law on Payment Services and Payment Systems, exceeds BGN 6 million or its foreign currency equivalent and the payment institution operates on the territory of Bulgaria under the right of establishment through at least two agents; or

3. the total number of payment transactions executed and/or electronic money distributed on the territory of Bulgaria through agents under the right of establishment or the freedom to provide services for the previous calendar year, including the number of the payment transactions under Article 4, item 7 of the Law on Payment Services and Payment Systems, exceeds 100,000 transactions and the electronic money institution operates on the territory of Bulgaria under the right of establishment through at least two agents.

(2) The electronic money institution shall entrust the central contact point with communication and reporting of information to the BNB in relation to the operation of electronic money institution's agents on the territory of Bulgaria, including provision of statistical data on the payment services provided and electronic money distributed on the territory of Bulgaria, and submission to the BNB of the report under Article 51, paragraph 2, and where applicable, under Article 51, paragraph 1 of Ordinance No 3 of the BNB of 2018 on the Terms and Procedure for Opening Payment Accounts, Executing Payment Transactions and Using Payment Instruments. The central contact point shall facilitate the competent authorities of the home Member State or the BNB in carrying out supervisory examinations of the agents and implementing supervisory measures imposed by the competent authorities.

(3) The electronic money institution shall submit to the BNB documents and information under Article 16, paragraph 3 on the establishment of a central contact point.

(4) Where data under paragraph 3 have changed, the electronic money institution shall submit the relevant documents and information to the BNB within seven days of the occurrence of the change.

(5) The electronic money institution shall submit to the BNB documents and information under paragraph 3 by 31 January of the year following the calendar year in which any of the circumstances set out in paragraph 1 has occurred.

Chapter Five

PAYMENT SYSTEMS

Section I

Granting a Licence for Operating a Settlement Finality Payment System

Application for Granting a License

Article 34. (1) The application for granting a license for an operator of a settlement finality payment system shall be filed in writing to the BNB.

(2) The application shall contain the payment system's name, the applicant's name, registered and head office address, a comprehensive description of the activities, which the applicant intends to provide, the name, registered and head office address of participants in the system, the applicant's email and website, if any, as well as contact person data with respect to the submitted documents.

Required Documents and Information

Article 35. (1) The following documents and information related to the applicant shall be enclosed to the application:

1. a certified copy of the Articles of Association and in case of a company, which is in process of incorporation, a certified copy of the Constituent Meeting's resolution for setting-up the company and of the minutes of the Meeting for election of management bodies;

2. documents certifying that the required capital under Article 136, paragraph 1, item 2 of the Law on Payment Services and Payment Systems has been fully paid in; for a company in the process of incorporation, a bank certificate attesting that the cash contributions have been made to a fund-raising account, and with respect to non-cash contributions, the documents under Articles 72 and 73 of the Law on Commerce;

3. a declaration and documents on the origin of funds by which the contributions for subscribed shares have been made or by which they have been acquired;

4. a unique identification code;

5. a comprehensive description of applicant's activities and audited financial statements for the last three years or during company's lifetime unless the applicant is a company in the process of incorporation;

6. rules of managing the operation of a payment system, including:

a) a description of the organisational structure and lines of responsibility, and rules of determining and monitoring the responsibilities;

b) rules of system management ensuring the safe and orderly operation, containing information under Article 43, paragraph 2;

c) rules of risk management, containing the information under Article 44, paragraph 1 and a plan under Article 44, paragraph 5;

d) rules of identification, management, monitoring and reporting of each individual risk to which the payment system operator and/or participants in the payment system under Articles 45, 47, 50 and 51 are or might be exposed;

7. a comprehensive description of technical, organisational and functional measures related to the operation of the system, including:

a) a description of the principle of operation of the payment system and the settlement method for counter claims and liabilities of participants, ensuring the settlement of accepted payment orders under Article 136, paragraph 1, item 11 of the Law on Payment Services and Payment Systems;

b) business continuity and soundness measures in connection with the operation of the payment system under Articles 52 and 53;

c) a description of the organisation and management of the information system, including the manner of filing, monitoring, tracking and restricting access to the information and customer data, encompassing the applicant and participants in the payment system;

d) rules and procedures in case of default of a participant, including information under Article 49, paragraph 1;

e) a comprehensive description of outsourcing arrangements, including contractor data, a description of outsourced activities and outsourcing draft contracts;

f) rules of notification on the circumstances under Article 61 and on the statistical reporting under this Ordinance;

8. an applicant's strategy and business plan on the activity in connection with the operation of the payment system for a term of not less than three years of its operation, which shall contain:

a) a company's development plan, economic rational and forecast budget for the first three years of operation based on realistic estimates showing that the applicant is able to use financial and technical resources, systems and procedures allowing the applicant to soundly carry out the activity for which it wishes to be licensed;

b) a description of technical equipment and resources for the operation of the system, including appropriate computer, information, accounting and registration systems according to the requirements under Articles 40 and 41;

c) a description of the organisational prerequisites for carrying out the system activities, including a company's organisational scheme and staff levels, as well as a list of contact persons who will receive notices from the BNB;

9. rules of the payment system which shall at least include information under Article 127, paragraph 2 of the Law on Payment Services and Payment Systems and a draft agreement in writing containing general rules and standardised arrangements for the execution of transfers, which will be concluded by all payment system participants, or a draft bilateral agreement which will be concluded between the payment system operator and each of the participants in the system where the requirements under Article 42 are met;

10. a list of the shareholders and the shares of the capital held by them, including their unique identification code or personal identity data;

11. a list of the persons holding, directly or indirectly, a qualifying holding within the meaning of Article 4(1), item 36 of Regulation (EU) No 575/2013 in the applicant's capital, indicating for each such person the number and type of shares, subscribed or to be subscribed, and the nominal value of such shares;

12. a list of the persons that have close links with the applicant within the meaning of Article 4(1), item 38 of Regulation (EU) No 575/2013, indicating the nature of the close links with respect to each of the persons;

13. a list of the persons managing and representing the applicant, and the members of its management and supervisory bodies;

14. documents and information referred to in Articles 37 and 38 on the persons managing and representing the applicant and the members of its management and supervisory bodies, as well as the persons having a qualifying holding;

15. a document evidencing that the fee under Article 70 is paid.

(2) Where a settlement finality payment system operator which intends to carry on any activities other than the operation of the payment system, it shall enclose to the application for granting a license information on the relevant activities and related services, and on the manner of conducting them.

(3) Where the activities under Article 2 involve technical, information and communication services supporting the provision of payment services by payment service providers, documents and information certifying the compliance with the requirements under Article 136, paragraph 3 of the Law on Payment Services and Payment Systems shall be enclosed to the application for granting a license.

(2) Article 3, paragraphs 2–9 shall apply to the application and the documents and information enclosed thereto.

Requirements for Qualification, Professional Experience and Good Repute

Article 36. The provisions of Article 4, paragraphs 1, 2 and 4 shall apply to persons managing and representing the applicant, the members of its management and supervisory bodies, natural persons having directly or indirectly a qualified holding in the applicant's capital, as well as to persons who by law represent the legal entities having directly or indirectly a qualifying holding in the capital of the applicant, as well as to changes in these entities.

Data on the Persons Managing and Representing the Applicant and the Members of its Management and Supervisory Bodies

Article 37. (1) The documents and information under Article 5 shall be submitted for the persons managing and representing the applicant and the members of its management and supervisory bodies.

(2) The applicant shall not submit the documents and information referred to in paragraph 1 where the persons managing and representing the applicant or the members of its management and supervisory bodies are members of the managing board (board of directors) or supervisory board of a bank licensed by the BNB or members of the BNB Governing Council. In this case, the Bulgarian National Bank may request additional documents and information to be provided to certify the compliance with the relevant requirements under the Law on Payment Services and Payment Systems.

Data on the Persons Having a Qualifying Holding

Article 38. (1) For any natural person or legal entity having or having subscribed directly or indirectly a qualifying holding within the meaning of Article 4(1), item 36 of Regulation (EU) No 575/2013 in the applicant company's capital, the documents and information under Article 6, paragraphs 1 and 2 shall be submitted.

(2) In case of a transfer of shares to the payment system operator's capital, paragraph 1 shall apply correspondingly, and the documents and information shall be submitted prior to the transfer.

(3) The applicant shall not submit documents and information referred to in paragraph 1, where the legal entity holding or having subscribed a qualifying holding is the BNB or a bank licensed by the BNB. In this case, the Bulgarian National Bank may request additional documents and information to be provided to certify the compliance with the relevant requirements under the Law on Payment Services and Payment Systems.

Section II

Requirements to the Activity of Operators of Payment Systems with Settlement Finality Licensed by the BNB

Compliance with the Requirements

Article 39. To ensure the smooth provision of services by the settlement finality payment system, the operator of the payment system shall at any time meet the requirements as specified in this Section in respect of any settlement finality payment system operated by it.

Technical Equipment

Article 40. The payment system operator shall provide appropriate technical facilities and premises which allow constant reliable and stable support of business processes on providing payment system services.

Operational Procedures

Article 41. (1) The payment system operator shall determine and apply operational procedures which shall be performed at individual stages of acceptance and processing of orders, settlement of claims and liabilities, sending of information to participants in the payment system and to the settlement agent.

(2) The officers involved in performing the operational procedures shall be informed thereof and trained with a view of their proper performance.

Legal Certainty

Article 42. (1) The payment system operator shall ensure that rules, procedures and contractual relationships in connection with the operation of the system are clear and compliant with the requirements of the Law on Payment Services and Payment Systems and its implementing legislation.

(2) The payment system operator shall in a clear and understandable manner regulate the rules, procedures and contractual relationships in connection with the operation of the system applicable to the system's participants, as well as that the Bulgarian legislation is applicable to the system arrangement.

(3) In case the rules of the system allow for participants in the system to be entities established outside the Republic of Bulgaria, as well as in case of an interoperable system, the system operator shall certify that rules, procedures and contractual relationships in connection with the operation of the system are valid for all relevant legal systems, and the actions undertaken in accordance with these rules, procedures and contractual relationships shall not be declared null and void, invalid, reversed or their implementation may not be stopped. The operator shall establish and apply appropriate measures to identify and limit risks ensuing from any potential discrepancy between the relevant jurisdictions and the Bulgarian legislation.

Governance

Article 43. (1) The payment system operator shall apply reliable and transparent rules of system management ensuring its safe and orderly operation.

(2) The rules under paragraph 1 shall clearly define the roles and responsibilities of the operator's management and supervisory bodies, including determining of:

1. clear strategic objectives of developing the payment system;
2. effective procedures for functioning of the operator's management and supervisory bodies, including procedures for identification and management of conflicts of interest in respect of their members;
3. procedures providing effective recruitment, monitoring and, where applicable, removal of members of the operator's management bodies;
4. internal control mechanisms and related procedures, oversight of their implementation, regular reviews and tests of these mechanisms and related procedures conducted by skilled and sufficient number of officers responsible for risk management and internal control;
5. rules of risk management and oversight of their observance, as well as active participation in the overall risk management and control process.

(3) Management and supervisory bodies of a payment system operator shall ensure that the activities related to carrying out transactions, managing risks and internal control are detached.

(4) Management and supervisory bodies of a payment system operator shall ensure that the activities under Article 3 shall be performed by officers entrusted with sufficient powers, independence and instruments for performing these activities, as well as possibilities for reporting to management and supervisory bodies.

(5) Management and supervisory bodies of a payment system operator shall review their overall work at least once a year, including the work of individual members.

Risk Management Rules

Article 44. (1) The payment system operator shall establish and apply risk management rules which also encompass participants in the system, including:

1. the risk tolerance policy of the payment system operator, as well as the measures of risk management;

2. responsibilities and the manner of reporting to the management and supervisory bodies of the operator in taking decisions related to risks;

3. responsibilities and the manner of taking decisions in contingency situations;

4. internal control functions.

(2) The payment system operator shall review at least once a year the rules under paragraph 1.

(3) The payment system operator shall encourage participants to manage and limit risks to the system establishing effective compensation and/or loss-distribution mechanisms.

(4) The payment system operator shall review at least once a year the risks to which the payment system is exposed or may be exposed. The payment system operator shall develop risk management measures which are proportionate to the identified risk level.

(5) The operator shall review and assess at least once a year systemically important transactions and services of the payment system. Based on the results of the assessment, the operator shall prepare a recovery or orderly wind-down plan. The plan shall include the measures for the payment system recovery or orderly wind-down, as well as the procedures for implementation of these measures.

(6) Systemically important transactions and services under Article 5 shall be all transactions and services ensuring the normal operation of the payment system in respect of its security, availability and timely fulfilment of obligations related to payment transactions carried out through the payment system.

Financial Risk Management

Article 45. (1) Credit risk shall be the risk that a participant will not be able to settle an obligation in full – neither when it becomes due, nor at any time thereafter.

(2) Liquidity risk shall be the risk that a payment system participant will not be able to settle an obligation in full and in due time, without being insolvent, since it may be able to settle the obligation at any time thereafter.

(3) The payment system operator shall identify all sources of credit and liquidity risks, inherent in the system, by drawing up and implementing rules of day-to-day monitoring and measuring obligations of system participants in both normal and emergency situations stemming from clearing and settlement of payment transactions carried out through the payment system.

(4) In case of a deferred net settlement system (DNS) with a settlement guarantee, the operator shall incur a credit exposure *vis-à-vis* its participants in the course of system operations. The operator of a deferred net settlement system with a settlement guarantee and its participants shall establish guarantee mechanisms or agree on the provision of collateral to ensure the settlement of participants' payments corresponding to the characteristics of the system and the volume of its payments.

(5) The amount of funds for guarantee mechanisms under paragraph 4 for each payment system shall enable at any time settlement of obligations of at least two participants with the largest net debit positions in the relevant system.

(6) The payment system operator under paragraph 4 shall establish rules and procedures to address losses directly resulting from defaults by one or more participants in the context of clearing and settlement of payment transactions carried out through the system. The rules and procedures shall specify the manner in which potential losses are distributed and funds for guarantee mechanisms under paragraph 4 are recovered.

(7) Paragraphs 4 and 5 shall respectively apply to operators of deferred net settlement systems with no settlement guarantee, but where participants face credit exposures arising from payment, clearing and settlement processes within the system. The operator shall establish and apply rules and procedures specifying the manner of recovery of the funds for guarantee mechanisms.

Guarantee Mechanism of a System Processing Card-based Payment Transactions and Carrying out Net Settlement at a Designated Time in RINGS

Article 46. (1) An operator of a settlement finality system processing card-based payment transactions, which carries out net settlement at a designated time in RINGS shall establish a guarantee mechanism for the settlement of participants' payments in the system. All participant banks in the system must participate in the guarantee mechanism.

(2) Funds for the guarantee mechanism under paragraph 1 shall be kept on an account with the BNB and shall be owned by participants in accordance with the size of their participation.

(3) Participation in the guarantee mechanism under paragraph 1 shall be included in the amount of reserve assets of the respective participant, taking into account the compliance with the obligation to maintain minimum required reserves with the BNB.

(4) The total amount of funds for the guarantee mechanism under paragraph 1 and the relevant amount of each participant's share shall be calculated by the system operator until the 10th day of the month following the end of each calendar quarter, and the operator shall notify the BNB and each participant bank of the amount of calculated amounts:

1. the size of participation of each participant bank shall be calculated as the value of the maximum net debit position in the system for the previous 12 months multiplied by a factor of 2.2 (two point two);

2. if a participant bank has no net debit position during the previous 12 months, its participation shall be equal to the last collected sum for participation in the guarantee mechanism; where a participant bank is included in the system under paragraph 1, the initial amount of its participation shall be BGN 50,000.

(5) On the basis of the received notification under paragraph 4, on the 12th day of the month the BNB shall *ex officio* collect from settlement accounts of the participants in the system under paragraph 1 the funds necessary for their participation in the

guarantee mechanism under paragraph 1, or correspondingly reimburse on their settlement accounts the funds exceeding the required participation amount.

(6) If at the end of the system day the funds on the settlement account of a participant in the system under paragraph 1 are insufficient to cover its net debit position in the settlement request forwarded by the system operator, the system operator shall send a request to the BNB for using funds from the guarantee mechanism. On the basis of the received request, the BNB shall *ex officio* debit the account under paragraph 2 with the required amount up to the participation share of the respective participant and credit its settlement account for executing the settlement request.

(7) In the event of using funds from the guarantee mechanism under paragraph 6, until the moment of forwarding the first settlement request for the following system day to RINGS, the BNB shall *ex officio* collect from the settlement account of the participant in the system under paragraph 1 the amount of funds used and credit with the same amount the account of the guarantee mechanism under paragraph 1.

Collateral

Article 47. (1) To ensure the settlement of payments of system participants, the system operator and the participants may agree on the provision of collateral by system participants.

(2) The payment system operator shall accept as collateral only assets with low credit, liquidity and market risks for which the following conditions are fulfilled:

1. they are issued by an issuer with a low credit risk;
2. they are fully transferable with no legal constraints or claims by third parties;
3. there are reliable data about their prices and these data are regularly published;
4. they are not issued by the participant which provides the collateral or by an entity that is part of the same group as the participant, except in the case of covered bonds where assets in the cover pool meet the conditions under items 1–3.

(3) The payment system operator shall establish and apply procedures to assess fulfilment of the conditions under paragraph 2.

(4) The payment system operator shall conduct daily revaluation on a marked-to-market basis.

Settlement Finality

Article 48. (1) The payment system operator shall establish and apply rules and procedures to ensure final settlement no later than by the end of the day of the intended settlement date in accordance with Articles 87–89 of the Law on Payment Services and Payment Systems.

(2) The intended settlement date shall be the date that is recorded in the payment system as a settlement date according to the transfer order submitted by a participant.

Rules and Procedures in the Event of a Participant Default

Article 49. (1) The payment system operator shall establish and apply rules and procedures in the event of default, providing for an opportunity for the system operator to continue performing its duties in case of default of a participant. The rules and procedures shall define, as a minimum, all of the following:

1. the cases of a participant default, including at least the inability of a participant in the system to meet its financial obligations when they become due as a result of financial or operational reasons;
2. the actions that a payment system operator can take in the event of a participant default and whether taking such actions is automatic or discretionary and the means by which that discretion is exercised;
3. potential changes to the payment system operator's normal settlement practices to ensure timely settlement;
4. the obligations and responsibilities of the relevant parties, including non-defaulting participants in the payment system;
5. other mechanisms to be activated to limit the impact of a default.

(2) The payment system operator shall publicly disclose the key aspects of the rules and procedures outlined in paragraph 1, including, as a minimum, all of the following:

1. the circumstances in which actions shall be taken and the scope of these actions;
2. the person who shall take those actions;
3. the mechanisms to address the payment system operator's obligations towards non-defaulting participants.

The payment system operator shall jointly with the participants in the system test and review the rules and procedures under paragraph 1 at least once a year or upon the occurrence of significant changes in the payment system concerning these rules and procedures.

General Business Risk

Article 50. (1) The general business risk shall be the risk of deteriorating the financial performance of the payment system operator as a going concern due to a decline in earnings or an increase in expenses so that the expenses exceed the earnings resulting in a loss.

(2) The payment system operator shall ensure management and control systems to identify, monitor and manage general business risk.

(3) The payment system operator shall hold liquid net assets funded by equity so that to continue operations and services as a going concern if it incurs general business losses. The amount of these assets shall be no less than that of operator's current operating expenses related to the operation of each payment system for six months.

(4) The assets under paragraph 3 shall be of sufficient liquidity and quality to be available in a timely manner. The payment system operator shall be able to realise these assets with a little, if any, adverse price effect.

(5) The assets under paragraph 3 shall come in addition to the funds held by the payment system operator to cover risks other than the general business risk, as well as to cover losses from activities other than the operation of a payment system.

(6) The payment system operator shall draw up a plan for raising additional own funds in case they fall below the amount referred to in paragraph 3. The plan shall be updated at least annually.

(7) To determine the amount of current operating expenses under paragraph 3, the payment system operator shall apply accounting procedures which allow for revenue and expenses in the operation of a payment system to be accounted separately from other activities performed by the operator. Accounting procedures shall determine the basis of allocation and the reasons thereof with regard to each item of expenses or revenue.

(8) The payment system operator shall submit to the BNB its interim financial statements, information on operating expenses under paragraph 3 for each six-month period of the calendar year, as well as information on the amount of assets under paragraph 3 as of the end of the relevant six-month period no later than the end of the calendar month following the reporting six-month period.

Custody and Investment Risks

Article 51. (1) The custody risk shall be the risk of loss of assets held in custody occasioned by the insolvency, negligence, fraudulent action, poor administration or inadequate record-keeping on the part of the entity holding these assets (the custodian).

(2) The investment risk shall be the risk of incurring a loss to the payment system operator or a participant where the operator invests its own funds or the funds of system participants.

(3) The payment system operator shall hold its own assets and, where applicable, those of its participants with entities subject to regulation and supervision, having accounting practices, storage procedures and internal control that ensure a rigorous protection of these assets against the risk of a loss occasioned by the insolvency, negligence, fraudulent action, poor administration or inadequate record-keeping on the part of the custodian or sub-custodian.

(4) The payment system operator shall set up an investment strategy in line with its overall risk management strategy and disclose it to all participants. The operator shall review at least once a year its investment strategy.

(5) The investment strategy under paragraph 4 shall ensure that investments made by the payment system operator are in instruments with minimal credit, liquidity and market risks. Investments shall be covered by low-risk debtors or consist of receivables from such debtors. The payment system operator shall set up criteria for establishing which debtors it considers as low-risk.

Operational Risk

Article 52. (1) Operational risk shall be the risk where vulnerabilities in information systems or internal processes, a human error, management error or disturbances caused by external events or outsourced services will result in a decrease, worsening and disruption of services provided by the payment system operator.

(2) The payment system operator shall ensure appropriate systems, policies, procedures and controls to identify, monitor and manage operational risk.

(3) The payment system operator shall establish service level and operational reliability objectives of the system, and policies designed to achieve those objectives. The operator shall review the objectives and policies at least annually.

(4) The payment system operator shall ensure that the payment system, at all times, has scalable capacity to handle increases in payment volumes that occur due to stress events, and that it can achieve its service level objectives under paragraph 3.

(5) The payment system operator shall establish physical and information security policies that adequately identify, assess and manage all potential vulnerabilities and threats, and comply with the effective standards in the relevant area. The operator shall review at least once a year the policies under the previous sentence.

(6) The payment system operator shall establish an effective cybersecurity framework containing appropriate measures to manage the cyber risk. The payment system operator shall introduce adequate security measures to protect systemically important transactions and services under Article 44, paragraph 5 and additional assets against cyber attacks. These measures shall also include actions to discover possible cyber attacks, reactions and post-event recovery.

(7) The payment system operator shall conduct tests and review at least once a year the measures for managing the cyber risk under paragraph 6. The payment system operator shall actively monitor technological developments and ensure continuous training to its employees in order to adapt in due course its cybersecurity framework in line with cyber risks to which the payment system is or might be exposed.

Business Continuity

Article 53. (1) The payment system operator shall develop and implement a business continuity plan to include action scenarios in case of operational problems arising during the operation of the payment system and ensure that the payment system can resume its operation within two hours of the emergence of operational problems. The operator shall test the developed scenarios and review the plan at least once a year or upon the occurrence of significant changes in the payment system.

(2) The payment system operator shall provide adequate backup technical means, including maintenance of a backup site, for a timely completion of daytime processing even in the event of a failure of major equipment. The backup site shall be located in an area other than that of the payment system's principal place of business.

(3) The payment system operator shall ensure that the payment system can process all incoming payments by the end of the business day on which the operational problem occurred.

(4) The payment system operator shall designate systemically important participants on the basis of the number and value of transfer orders submitted by them and their potential impact on other participants and the payment system as a whole in case of a significant operational problem which could arise in these participants. The payment system operator may specify additional requirements for business continuity with regard to systemically important participants.

(5) The payment system operator shall identify, monitor and manage all risks which systemically important participants, other financial market infrastructures and suppliers of utilities and other services used by the system operator could pose to the smooth functioning of the payment system.

Rules for Access and Conditions of Participation

Article 54. (1) The payment system operator shall determine and make public non-discriminatory access rules and conditions of participation in the payment system, including with regard to indirect participants and other financial market infrastructures under Article 130 of the Law on Payment Services and Payment Systems.

(2) In the event of refused access or participation in the payment system, the payment system operator shall provide a reasoned opinion on the refusal.

(3) The payment system operator shall determine and make public procedures for temporary suspension and termination of the right of participation of a participant if such a participant does not meet the rules of access and the conditions of participation in the payment system.

(4) The payment system operator shall review at least once a year the rules under paragraph 1 and the procedures under paragraph 3.

Indirect Participation in a Payment System with Settlement Finality

Article 55. (1) If the rules of a payment system with settlement finality allow for indirect participation in the system, the system operator shall ensure that the rules and procedures permit him to collect information on indirect participants for the purpose of identifying, monitoring and managing risks to the system in relation to this participation.

(2) The information under paragraph 1 shall include at least:

1. the portion of the business performed by a participant on behalf of an indirect participant;
2. the number of indirect participants;
3. the number and value of payments initiated by each indirect participant, including relative to those of a participant through which the indirect participant accesses the payment system.

(3) The system operator shall indicate indirect participants posing serious risks to the payment system, as well as participants through which they access the system.

(4) The payment system operator shall review at least once a year the risks arising from indirect participation in the system.

Disclosure of Rules and Procedures of the System

Article 56. (1) The payment system operator shall ensure that system's rules and procedures are disclosed to the participants and contain a clear description of the structure and functioning of the system, as well as the rights and obligations of the operator and the participants in the system so that the participants can assess the risks related to their participation in the system.

(2) The payment system operator shall make public the fees charged for individual services offered by the system, as well as basic information on the number and value of processed payments.

(3) The payment system operator shall fill out, where applicable, and make public responses to the disclosure framework for financial market infrastructures of the Committee on Payments and Settlement Systems (CPSS) of the Bank for International Settlements (BIS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO). The system operator shall update the responses to the disclosure framework at least once every two years or upon occurrence of material changes in the system.

Technical, Information and Communication Services Supporting Provision of Payment Services

Article 57. If an operator of a payment system with settlement finality provides technical, information and communication services supporting the provision of payment services by payment service providers, the operator shall apply to these services the requirements of Article 40, Article 43, paragraphs 3 and 4, Articles 44, 52 and 53.

Audit Report

Article 58. (1) The audit report on performing an audit of a payment system operator shall be prepared by the audit firm which complies with the requirements of Article 25 of the Law on Payment Services and Payment Systems.

(2) The payment system operator shall submit to the BNB its audited annual financial statements and the audit report with the Appendices under paragraphs 3–10 thereto within seven days of receipt of the audit report but no later than 15 July of the calendar year following the year to which the report refers.

(3) A report on compliance with risk management rules under Article 44 shall be annexed to the audit report to include at least:

1. determining different types of risks to which the payment system operator is exposed due to the nature of its business;

2. the auditor's opinion on managing each type of risk, including an assessment whether the payment system operator has implemented a risk management policy, internal procedures for identification, management, control and reporting of the risks, and whether competences regarding the operations relevant to individual risks are regulated in appropriate internal acts;

3. the auditor's opinion on compliance with the requirements under Article 50, paragraphs 3 and 7;

4. established shortfalls in individual types of risks and auditor's opinion on the adequacy of the internal control system;

5. explanations on the implementation of recommendations from previous audits, if any;

6. auditor's recommendations for improving the procedures and policies on managing individual types of risks.

(4) An appendix to the audit report shall include a report on distinction and functioning of structural units performing activities related to carrying out transactions, managing risks and internal control of the payment system operator. The report shall contain a brief description of structural units' functions with the auditor's opinion on the adequacy of staff functioning and qualifications, internal control systems and mechanisms, sufficient powers, independence, instruments and possibilities for reporting before management and oversight bodies, identification of shortcomings, and recommendations for improving their activity.

(5) The report under paragraph 4 shall include explanatory notes providing for compliance with auditor's recommendations from previous years, if any, for improving the activity of structural units under paragraph 4.

(6) An appendix to the audit report shall include a report on the quality of the information system servicing the operation of the payment system for which the operator is licensed. The auditor's opinion shall be supplemented by findings and recommendations regarding:

1. the possibility for the information system to execute settlement of orders accepted by the payment system;

2. compliance between the operation of the information system and the strategic objectives of developing the payment system;

3. the policy and organisation of security and protection of the information system and database, including cybersecurity framework reviews;

4. the adequacy of the overall, system and other types of control;

5. the technological infrastructure, including backups of the system, communications and power supply of working and server rooms at both the main and the backup centre of the payment system operator;

6. the action plan in contingency situations, its testing and staff emergency preparedness.

(7) An appendix to the audit report shall include a report on compliance with the requirements under Article 57 with regard to technical, information and communica-

tion services provided by the operator to support the provision of payment services by payment service providers.

(8) An appendix to the audit report shall include an auditor's opinion on the accuracy of reports submitted to the BNB under this Ordinance.

(9) An appendix to the audit report shall include an auditor's opinion on fulfilment of the payment system operator's obligation under Article 140, paragraph 4 of the Law on Payment Services and Payment Systems during the audited period.

(10) An appendix to the audit report shall include explanatory notes on all material business post balance sheet events.

Immediate Notification Obligation for Payment System Operators

Article 59. An operator of a payment system with settlement finality shall immediately notify the BNB:

1. if its solvency is under threat;
2. if it has initiated an essential review and/or update of its information systems, or has launched a new package of services which affect significantly the information technology state, in case of changes in the payment system functionality, in case of changes in availability and security of additional activities performed in providing technical, information and communication services supporting the provision of payment services by payment service providers;
3. if equipment has been tested;
4. about the outcome of analyses made with regard to inherent risks;
5. in case of insolvency or termination of system participants;
6. in the event of problems arising during the operation of the payment system or such related to availability and security of additional activities, except for the operation of a payment system with settlement finality for which it is licensed, where these activities involve technical, information and communication services supporting the provision of payment services by payment service providers;
7. upon any other events which might be relevant to the operation of the payment system or to the availability and security of performed additional activities in providing technical, information and communication services supporting the provision of payment services by payment service providers.

Reporting of Payment System Operators

Article 60. (1) Payment system operators shall, for the purposes of the payment supervision, submit to the BNB a report on operations of each payment system with settlement finality operated by them for each quarter of the calendar year. This report shall be submitted to the BNB Banking Department by the end of the month following the reporting quarterly period.

(2) Payment system operators shall submit annually to the BNB a report on each payment system with settlement finality operated by them pursuant to the requirements of Regulation (EU) No 1409/2013 of the European Central Bank of 28 Novem-

ber 2013 on payments statistics. This report shall be submitted to the BNB Banking Department by the end of the second calendar month following the reporting annual period.

(3) Payment system operators shall, for the purposes of payment supervision, submit to the BNB for each quarter of the calendar year a report on additional activities, except for the operation of a payment system with settlement finality for which they are licensed, where these activities involve technical, information and communication services supporting the provision of payment services by payment service providers. This report shall be submitted to the BNB Banking Department by the end of the month following the reporting quarterly period.

(4) The BNB Deputy Governor heading the Banking Department shall issue instructions to determine the form and content of the reports referred to in paragraphs 1–3.

Reporting of Payment System Participants

Article 61. (1) Participants in payment systems with settlement finality shall, for the purposes of the payment supervision, submit to the BNB a report on executed transfer orders to payment systems for each quarter of the calendar year. This report shall be submitted to the BNB Banking Department by the end of the month following the reporting quarterly period.

(2) The BNB Deputy Governor heading the Banking Department shall issue an instruction to determine the form and content of the report referred to in paragraph 1.

Chapter Six

Settlement at the BNB

The RINGS Real-time Gross Settlement System

Article 62. (1) The Bulgarian National Bank shall set up and operate a real-time gross settlement system in levs named RINGS (Real-time Interbank Gross Settlement System).

(2) RINGS is a payment system with settlement finality which carries out a transfer of funds in Bulgarian levs between settlement accounts of its participants finally, individually (transaction by transaction) and in real time upon receipt into the system of a transfer order submitted by participants.

Participants in RINGS

Article 63. (1) Participants in RINGS shall be:

1. the Bulgarian National Bank;
2. a bank licensed by the BNB to conduct bank operations;
3. a foreign bank branch from a third country licensed by the BNB under Article 17 of the Law on Credit Institutions;

4. a Member State's bank branch conducting operations on the territory of the Republic of Bulgaria under the procedure of Articles 20 and 21 of the Law on Credit Institutions.

(2) Each participant in RINGS shall hold a Business Identifier Code (BIC) and open and maintain a settlement account with the BNB.

(3) The Bulgarian National Bank shall keep settlement accounts of the participants in RINGS.

(4) Subject to the BNB approval for compliance with technical, organisational and financial conditions for participation in RINGS, banks under paragraph 1 shall become RINGS participants on the basis of a contract concluded with the BNB to determine their rights and obligations in line with the rules and procedures of the system.

(5) The BNB may specify additional requirements to system participants to be included in the RINGS rules and procedures.

Settlement Agent

Article 64. (1) The Bulgarian National Bank shall ensure the conduct of settlement provided that sufficient funds are available on the settlement account of the payer bank.

(2) Settlement of payments shall be effected on settlement accounts with the BNB, as follows:

1. for payments initiated by net settlement requests by system operators – at a designated time in accordance with a schedule approved by the BNB;
2. for all remaining payments – immediately.

(3) Settlement at the BNB shall be deemed final after the moment of irrevocability, as set out in the rules and procedures of RINGS.

Performing Transactions in RINGS

Article 65. (1) In the case of payments made by bank customers within RINGS, the payer's bank shall forward a transfer order to RINGS according to the RINGS schedule not later than one hour after receipt of the payment order.

(2) In the case of payments made by bank customers within RINGS, the payee's bank shall without undue delay credit the payee's account upon receipt of the funds on its settlement account with the BNB.

(3) In the event that the bank is unable to execute a transfer order within the time limits under paragraphs 1 and 2, it shall immediately notify in writing the holder of the account from which the payment had to be executed.

(4) The terms and conditions, procedure, format of the exchange and structure of electronic messages between RINGS and payment and securities settlement systems under Article 149, paragraph 2 of the Law on Payment Services and Payment Systems shall be determined by the BNB.

Ex Officio Transactions

Article 66. (1) Based on a preliminary written consent expressed in the participation contract with RINGS, the BNB shall collect *ex officio* from banks' settlement accounts all fees charged for provided services according to a tariff approved by the BNB Governing Council.

(2) The Bulgarian National Bank shall collect *ex officio* from banks' settlement accounts the funds necessary for their participation in the guarantee mechanism under Article 46, the amounts due by banks with regard to the application of legislative acts regulating the banking activity and currency circulation, and the fees for the services provided by the BNB.

(3) The Bulgarian National Bank shall *ex officio* conduct operations on settlement accounts of the participants in the electronic system for registering and servicing government securities trading (ESROT) with regard to government securities transactions.

Rejection of Transfer Orders

Article 67. (1) Transfer orders forwarded to RINGS, which have not been settled by the end of the system day due to lack of sufficient funds on the bank's settlement account, shall be rejected by RINGS, while retaining the relevant information.

(2) A bank whose transfer order has been rejected by RINGS under paragraph 1 shall, at the beginning of the next system day, forward to RINGS the same order with a current value date and the same unique registration number.

(3) The requirement under paragraph 2 shall not apply in cases where the payment order has been withdrawn by a written notice of the relevant payment service user. In this case, the bank shall immediately notify in writing the BNB of the reasons for not resubmitting the rejected transfer order, while enclosing supporting documents.

Rejection of a Request for Net Settlement

Article 68. (1) A request for net settlement forwarded in accordance with the system day schedule by a payment system operator or a securities settlement system operator, that cannot be executed within one hour after its acceptance due to insufficiency of funds on a participant's settlement account, shall be rejected by RINGS.

(2) The system operator shall recalculate participants' net positions, excluding payments from/to the participant with insufficient funds, and forward to RINGS without undue delay the recalculated settlement request.

(3) The system operator shall forward for settlement in RINGS the payments from/to the participant with insufficient funds within the system day, without preventing the execution of other participants' payments in the respective system.

(4) A settlement request, on which no settlement has been effected by the end of the system day due to lack of sufficient funds on the participant's settlement account, shall be rejected by RINGS.

BNB's Powers as Settlement Agent

Article 69. (1) To ensure the settlement, the BNB shall:

1. determine a minimum balance on participants' settlement accounts and reserve liquidity on participants' settlement accounts, including also for executing settlement requests forwarded by system operators;

2. specify types of priorities in payments;

3. apply or take part in applying the guarantee mechanisms under Article 152, paragraph 2 of the Law on Payment Services and Payment Systems in order to ensure sufficient funds on settlement accounts to finalise the payments initiated by system operators;

4. exclude or temporarily limit the rights of a RINGS participant under the terms and procedure laid down in the RINGS rules.

(2) In the cases under paragraph 1, item 4, the BNB shall notify other system participants and system operators which take immediate measures provided for in their rules in respect to a participant.

Chapter Seven

FEES

Article 70. In order to cover administrative expenses on examining the applications and documents required for issuing licenses, entering into the Register under Article 19 of the Law on Payment Services and Payment Systems and issuing approvals, the BNB shall charge fees, as follows:

1. for examining applications on granting a license to operate a payment system with settlement finality: BGN 50,000;

2. for examining applications on granting a license to operate as an electronic money institution: BGN 10,000;

3. for examining applications on granting a license to operate as a payment institution: BGN 8000;

4. for examining applications on a registration of an account information service provider: BGN 5000;

5. for examining applications on entering into the Register under Article 19 of the Law on Payment Services and Payment Systems of branches of payment institutions and electronic money institutions: BGN 2000 *per* branch;

6. for examining applications on granting an approval on acquiring or increasing the percentage holding in the capital under Articles 14 and 44 of the Law on Payment Services and Payment Systems: BGN 2000;

7. for examining applications on entering into the Register under Article 19 of the Law on Payment Services and Payment Systems of agents of payment institutions and electronic money institutions: BGN 100 *per* agent;

ADDITIONAL PROVISIONS

§ 1. Within the meaning of this Ordinance:

1. 'settlement request' shall be an order to RINGS by a system operator in a pre-determined format whereby settlement accounts are credited or debited;

2. 'system day' shall mean a pre-set period of time within the business day, during which transfer orders and settlement requests are accepted and processed, and payments are settled in RINGS;

3. 'system operator' shall mean an entity or entities legally responsible for the operation of a payment system or securities settlement system conducting settlement in RINGS.

§ 2. Payment institutions, account information service providers and electronic money institutions shall implement EBA Guidelines (EBA/GL/2017/08) on the criteria on how to stipulate the minimum monetary amount of the professional indemnity insurance or other comparable guarantee, EBA Guidelines (EBA/GL/2017/09) on the information to be provided for the authorisation of payment institutions and e-money institutions and for the registration of account information service providers pursuant to Article 5(5) of Directive (EU) 2015/2366, the guidelines, recommendations and other measures issued by EBA which concern them and of which the BNB has announced it complies with under Article 16, paragraph 3 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority).

TRANSITIONAL AND FINAL PROVISIONS

§ 3. This Ordinance is issued on the grounds of Article 9, paragraph 7, Article 10, paragraph 2, Article 10, paragraph 4, item 9, Article 14, paragraph 2, paragraph 5, item 2, Article 19, paragraph 6, Article 24, paragraph 2, Article 28, paragraph 6, Article 32, paragraph 3, Article 33, paragraph 7, Article 37, paragraph 5, Article 39, paragraph 7, Article 135, paragraph 2, Article 136, paragraph 1, item 8, Article 141, paragraph 3, Article 145, paragraph 5 and Article 155 of the Law on Payment Services and Payment Systems and is adopted by Resolution No 76 of the BNB Governing Council of 29 March 2018.

§ 4. Until such time as the BNB obtains access to electronic conviction status certificates under Ordinance No 8 of the Minister of Justice of 2008 on functions and organisation of operation of the Criminal Records Offices in respect to certifying the circumstances under Article 4, paragraph 1, item 3, applicants shall submit their conviction status certificates to the BNB.

§ 5. Upon establishment of the Register of EBA under Article 15 of Directive (EU) 2015/2366, the Bulgarian National Bank shall maintain a list of payment institutions licensed in other Member States and of account information service providers registered in other Member States and operating on the territory of the Republic of Bulgaria through a branch, agent or directly in compliance with the requirements of Article 33 of the Law on Payment Services and Payment Systems, as well as of electronic mon-

ey institutions licensed in other Member States and operating directly or through a branch, or performing the activities under Article 32, paragraph 2 through an agent on the territory of the Republic of Bulgaria in compliance with Article 43 of the Law on Payment Services and Payment Systems.

§ 6. Own funds reports referred to in Articles 10 and 29 for the first quarter of 2018 shall be submitted to the BNB Banking Department by 15 April 2018.

§ 7. Reports referred to in Article 60, paragraphs 1 and 3, Article 61, paragraph 1 for 2018 and 2019 shall be submitted to the BNB Banking Department semi-annually by the end of the month following the reporting six-month period. Reports referred to in Article 60, paragraphs 1 and 3, Article 61, paragraph 1 for the first six months of 2018 shall be submitted by 31 July 2018.

§ 8. Reports referred to in Article 60, paragraph 2 for 2018 shall be submitted to the BNB Banking Department by 28 February 2019.

§ 9. In Ordinance No 3 of the BNB of 2009 on the Terms and Procedure for Carrying out Payment Operations and for Using Payment Instruments (published in the Darjaven Vestnik, issue 62 of 2009; amended, issue, 48 of 2011; issue 57 of 2012; issue 69 of 2016 and issue 30 of 2017), Chapter Five is repealed.

§ 10. Guarantee mechanisms established on the grounds of Article 42 of Ordinance No 3 of the BNB of 2009 on the Terms and Procedure for Carrying out Payment Operations and for Using Payment Instruments (Darjaven Vestnik, issue 62 of 2009) shall remain valid as guarantee mechanisms under Article 46.

§ 11. This Ordinance shall repeal Ordinance No 16 of 2009 on Licensing of Payment Institutions, Electronic Money Institutions and Payment System Operators (Darjaven Vestnik, issue 62 of 2009).

§ 12. Instructions issued by the BNB Deputy Governor heading the Banking Department on the enactment of Ordinance No 16 of 2009 on Licensing of Payment Institutions, Electronic Money Institutions and Payment System Operators shall remain in force insofar they do not contradict this Ordinance and the Law on Payment Services and Payment Systems.

Appendix
to Article 5, paragraph 1, item 2

QUESTIONNAIRE DECLARATION

**on Qualification, Professional Experience and Good Repute under
Article 5, Paragraph 1, Item 2 of Ordinance No 16 of the BNB**

1. General information

1.1 Name and unified identification code (UIC) of the company wishing to obtain a license:

1.2. Name and UIC of the branch/agent of the person under item 1.1, or of the licensed payment institution or electronic money institution, and name and UIC of the licensed payment institution or electronic money institution, respectively:

(where the questionnaire is completed by the persons managing and representing branches or by agents of the company under item 1.1 or a licensed payment institution, or electronic money institution)

1.3. Position of the person managing or representing the company under item 1.1 (or the branch/agent of the person under item 1.2):

1.4. Start date:

1.5. Duties, responsibilities and powers related to the position:

2. Personal data of the person managing and representing the company under item 1.1 or who is a member of the management and supervisory body of this company (correspondingly, personal data of the person managing and representing the branch/agent under item 1.2).

2.1. Full name: _____

2.2. Date and place of birth: _____

2.3. Identity number/Personal number of a foreigner: _____

2.4. Citizenship: _____

2.5. Sex: _____

2.6. Permanent address: _____

2.7. Present address (if different):

2.8. Telephone number: _____

2.9. Email address: _____

2.10. Have you ever changed your name?

Yes	No

(If 'yes', please complete the information under item 2.10.1 – 2.10.3.)

2.10.1. Previous name: _____

2.10.2. Date of change (DD/MM/YYYYY): _____

2.10.3. Reason for the change: _____

3.1. Education:

3.1.1. Type of education (please specify the highest educational attainment and the field of study):

3.1.2. Educational establishment, year of completion of the degree:

3.2. Language skills:

Language	<i>Please specify the level, according to the Common European Framework of Reference for Languages.</i>

(If more than two, please add additional fields)

3.3. Professional qualification:

3.3.1. Qualification obtained, date of qualification, body awarding the evidence of qualification

3.3.2. Qualification obtained, date of qualification, body awarding the evidence of qualification

(Please add additional fields to complete the list)

4. Professional experience

4.1. Employer: _____

4.1.1. Position held: _____

4.1.2. Period (DD/MM/YYYYY)

From	To

4.1.3. Employer's address, telephone number and email address:

4.2. Employer: _____

4.2.1. Position held: _____

4.2.2. Period (DD/MM/YYYYY)

From	To

4.2.3. Employer's address, telephone number and email address:

5. Information on companies in which the person managing and representing the company under item 1.1 or in which this person is a member of the management and supervisory body (the person managing and representing the branch/agent under item 1.2, respectively) has or has had over the past five years qualifying holdings:

5.1.1. Name and UIC of the company, registered and head office address:

5.1.2. Percentage share in the equity, number of shares or units and total nominal amount in BGN:

Share (%)	Number of shares/units	Total nominal amount (BGN)

5.1.3. Equity interest acquisition date (DD/MM/YYYYY):

5.1.4. Date of change (DD/MM/YYYYY):

5.1.5. Has the company ever been or is it currently subject to enforcement?

Yes	No

(If yes, please specify the type and amount of the liability; the reasons behind the enforcement and the results.)

5.1.6. Has the company ever been or is it currently subject to imposed attachments, freeze or other enforcement measures?

Yes	No

(If 'yes', please specify what they are and for what liabilities they have been imposed.)

5.1.7. Has the company ever been terminated due to bankruptcy or is it currently subject to bankruptcy proceedings?

Yes	No

(If 'yes', please specify the number and date of the judgement to conclude bankruptcy proceedings and delete the company, or the number and date of the judgement to institute bankruptcy proceedings, respectively.)

5.2.1. Name and UIC of the company, registered and head office address:

5.2.2. Percentage share in the equity, number of shares or units and total nominal amount in BGN:

Share (%)	Number of shares/units	Total nominal amount (BGN)

5.2.3. Equity interest acquisition date (DD/MM/YYYYY): _____

5.2.4. Date of change (DD/MM/YYYYY): _____

5.2.5. Has the company ever been or is it currently subject to enforcement?

Yes	No

(If yes, please specify the type and amount of the liability; the reasons behind the enforcement and the results.)

5.2.6. Has the company ever been or is it currently subject to imposed attachments, freeze or other enforcement measures?

Yes	No

(If 'yes', please specify what they are and for what liabilities they have been imposed.)

5.2.7. Has the company ever been terminated due to bankruptcy or is it currently subject to bankruptcy proceedings?

Yes	No

(If 'yes', please specify the number and date of the judgement to conclude bankruptcy proceedings and delete the company, or the number and date of the judgement to institute bankruptcy proceedings, respectively.)

6. Information on companies over which the person managing and representing the company or who is a member of the management and supervisory body of the company under item 1.1 (the person managing and representing the branch/agent under item 1.2, respectively) exercises or has exercised control over the past five years:

6.1. Name of the company, registered and head office address, UIC: _____

6.2. Manner of exercising control over the company: _____

6.3. Initial date of control (DD/MM/YYYYY): _____

6.4. Date of change (DD/MM/YYYYY): _____

6.5. Has the company ever been or is it currently subject to enforcement?

Yes	No

(If yes, please specify the type and amount of the liability; the reasons behind the enforcement and the results.)

6.6. Has the company ever been or is it currently subject to imposed attachments, freeze or other enforcement measures?

Yes	No

(If 'yes', please specify what they are and for what liabilities they have been imposed.)

6.7. Has the company ever been terminated due to bankruptcy or is it currently subject to bankruptcy proceedings?

Yes	No

(If 'yes', please specify the number and date of the judgement to conclude bankruptcy proceedings and delete the company, or the number and date of the judgement to institute bankruptcy proceedings, respectively.)

7. Information on financial discipline/integrity of the person managing and representing the company or in which this person is a member of the management and supervisory body under item 1.1 (the person managing and representing the branch/agent under item 1.2, respectively):

7.1. Do you have/have you ever had any overdue liabilities?

Yes	No

(If 'yes', please specify the type and amount of these liabilities and to whom they are (country, municipality, bank, third parties.)

7.2. How have the liabilities under item 7.1 been repaid?

7.3. Have you ever been or are you currently subject to enforcement?

Yes	No

(If yes, please specify the type and amount of the liability; the reasons behind the enforcement and the results.)

7.4. Have any administrative sanctions been imposed on you for infringements of tax legislation?

Yes	No

(If 'yes', please indicate the grounds for imposition of the administrative sanction and its type.)

7.5. Are you currently subject to penal administrative proceedings initiated against you for infringements of tax legislation?

Yes	No

(If 'yes', please specify relevant infringements and the stage reached in proceedings.)

7.6. Please indicate the amount of taxes paid by you during the last two years:

Year	Amount (BGN thousand)

8. Information on financial discipline/integrity of the company under item 1.1 (or the branch/agent under item 1.2):

8.1. Does the company have/has it ever had any overdue liabilities?

Yes	No

(If 'yes', please specify the type and amount of these liabilities and to whom they are (country, municipality, bank, third parties).)

8.2. How have the liabilities under item 8.1 been repaid?

8.3. Has the company ever been or is it currently subject to enforcement?

Yes	No

(If yes, please specify the type and amount of the liability; the reasons behind the enforcement and the results.)

8.4. Have any administrative sanctions been imposed on the company for infringements of tax legislation?

Yes	No

(If 'yes', please indicate the grounds for imposition of the administrative sanction and its type.)

8.5. Is the company currently subject to penal administrative proceedings for infringements of tax legislation?

Yes	No

(If 'yes', please specify relevant infringements and the stage reached in proceedings.)

9. Cooperation with competent authorities:

9.1. Have any administrative sanctions or compulsory administrative measures been imposed for violation of primary and secondary legislation applicable to the activity of entities in the banking or financial sector, in institutions comparable to a bank or in companies comparable to a bank upon you or a company: 1) in which you have held a managerial position ('persons holding a management position' within the meaning of § 1, item 1 of the Additional Provisions of Ordinance No 20 of 2009 on the Issuance of Approvals to the Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Requirements for Performing their Duties); 2) over which you are exercising or have exercised control; 3) in which you hold or have held qualified interest?

Yes	No

(If 'yes', please indicate the name and UIC of the company, position held, manner of exercising control, percentage of qualifying holdings, legal provisions that have been violated, date and number of the act imposing the penalty or measure and authority that had issued it.)

9.2. Are you aware of any pending penal administrative proceedings or compulsory administrative measures initiated under item 9.1?

Yes	No

(If 'yes', please indicate the name and UIC of the company, position held, manner of exercising control, percentage of qualifying holdings, legal provisions that have been violated, date of opening the proceedings and authority that had issued it.)

9.3. Have you ever been dismissed on the grounds of applied compulsory administrative measures from a managerial position in an entity of the banking or financial sector, an institution comparable to a bank or a company comparable to a bank?

Yes	No

(If 'yes', please indicate the name and UIC of the company, position held, grounds for dismissal, date and number of the act of dismissal and the authority that had issued it.)

9.4. Has a licence ever been refused for activities subject to a licensing procedure by the BNB, Financial Supervision Commission or a relevant competent authority in other countries to a company: 1) in which you have held a managerial position; 2) over which you are exercising or have exercised control; 3) in which you hold or held qualified interest?

Yes	No

(If 'yes', please indicate the subject of the license, the competent authority that has refused to issue the license, the name and UIC of the company, the position held, accordingly the manner of exercising control, percentage of qualifying holdings, grounds for refusal of the license, the number and date of the act whereby the license was refused.)

9.5. Has a licence been withdrawn or withdrawal proceedings instituted of a company: 1) in which you have held a managerial position; 2) over which you are exercising or have exercised control; 3) in which you hold or held qualified interest?

Yes	No

(If 'yes', please indicate the subject of the license, the competent authority that has withdrawn the license, the name and UIC of the company, the position held, accordingly the manner of exercising control, percentage of qualifying holdings, grounds for withdrawal of the license, the number and date of the act whereby the license was withdrawn.)

9.6. Has a deletion or registration been refused to a company for activities subject to a registration procedure of the BNB, Financial Supervision Commission or a relevant competent authority in other countries, to you as a natural person or to a company: 1) in which you have held a managerial position; 2) over which you are exercising or have exercised control; 3) in which you hold or have held qualified interest?

Yes	No

(If 'yes', please indicate the subject of registration, the competent authority that has refused or deleted the registration, the reason for the refusal or deletion, the number and date of the act accordingly, the name and UIC of the company, the position held, the manner of exercising control accordingly, percentage of qualifying holdings.)

9.7. Has a registration, membership or issuance of a permit or license for conducting trading, business activities or exercising a profession ever been refused to you as a natural person or company: 1) in which you have held a managerial position; 2) over which you are exercising or have exercised control; 3) in which you hold or held qualified interest?

Yes	No

(If 'yes', please indicate the subject of the registration, permit, membership or license, the competent authority that has refused the registration, permit, membership or license, the reason for refusal, the number and date of the relevant act; the name and UIC of the company; the position held, the manner of exercising control accordingly, the percentage of qualifying holdings.)

9.8. Has a licence been withdrawn or a registration, permit or membership for conducting trading, business activities or exercising a profession been terminated in respect to you as a natural person or company: 1) in which you have held a managerial position; 2) over which you are exercising or have exercised control; 3) in which you hold or held qualified interest?

Yes	No

(If 'yes', please indicate the subject of the registration, permit, membership or license, the competent authority that has terminated the registration, permit, membership or license, the reason for the termination, the number and date of the relevant act; the name and UIC of the company; the position held, the manner of exercising control accordingly, the percentage of qualifying holdings.)

9.9. Have you been excluded from a public body or entity in the sector of financial services or from a professional body or association?

Yes	No

(If 'yes', please indicate the name and UIC of the company, the position held, the number and date of the decision on exclusion from the public body or entity in the sector of financial services or from a professional body or association.)

9.10. Have you ever held a managerial position or been an unlimited liability partner in a company terminated due to bankruptcy or in a company that is currently under bankruptcy proceedings?

Yes	No

(If 'yes', please indicate the name and UIC of the company, the position held, the number and date of the decision whereby the bankruptcy was declared.)

9.11. Has a company been terminated due to a court decision: 1) in which you have held a managerial position; 2) over which you have exercised control; 3) in which you have held qualified interest?

Yes	No

(If 'yes', please indicate the name and UIC of the company, the position held, the number and date of the decision whereby the activity of the company was terminated.)

9.12. Have your qualification, professional experience and good repute (fitness and probity) been assessed by the Bulgarian National Bank, the Financial Supervision Commission or a relevant competent authority in the financial and non-financial sectors, as well as by a relevant competent authority in other countries for holding a managerial position or acquiring qualifying holdings?

Yes	No

(If 'yes', please indicate the name of the authority that has made the assessment, the date, reasons and the result thereof.)

9.13. Have you ever been refused an appointment on a managerial position or acquisition of a qualifying holding by the Bulgarian National Bank, the Financial Supervision Commission or a relevant competent authority in other countries?

Yes	No

(If 'yes', please indicate the authority that has made a decision for the refusal and the reason thereof.)

10. Supplementary information:

10.1. Do you have financial obligations to the company under item 1.1 (branch/agent under item 1.2)?

Yes	No

(If 'yes', please specify the type and amount of these obligations.)

10.2. Have you ever been imposed disciplinary sanctions for violation of labour legislation?

Yes	No

(If 'yes', please specify the employer's name, the reason for imposition of the disciplinary sanction and its type.)

10.3. Have you ever been dismissed from a managerial position except in the cases under item 10.2?

Yes	No

(If 'yes', please specify the reasons for dismissal.)

10.4. Are you subject to pending criminal proceedings of indictable offences?

Yes	No

(If 'yes', please specify the legal classification of the crime, the date and place of opening the proceedings.)

10.5. Have you ever had a modified audit opinion (certified with reservation or refused certification, respectively) after an audit of a company: 1) in which you have held a managerial position; 2) over which you have exercised control; 3) in which you have held qualified interest?

Yes	No

(If 'yes', please indicate the name and UIC of the company, the position held, the manner of exercising control accordingly, the percentage of qualifying holdings, the reasons of the modified audit opinion.)

10.6. Please, provide any additional information which you believe is essential:

I hereby solemnly declare that:

1. I give my explicit consent to the BNB to process the data and information contained in this questionnaire declaration.
2. The statements made and the information specified in this questionnaire declaration are true and correct to the best of my knowledge and I am not aware of any other information whose submission could affect the declared circumstances.
3. I hereby undertake, upon a change in declared circumstances, to notify the BNB thereof in accordance with Article 3, paragraph 8 of BNB Ordinance No 16 on Issuance of Licenses and Approvals, Entry into the Register under Article 19 of the Law on Payment Services and Payment Systems, and Requirements to the Activity of Operators of Payment Systems with Settlement Finality.
4. I hereby declare that I am aware of the penal liability in case of providing false or inaccurate information.

The Bulgarian National Bank is a personal data controller. All personal data provided by you on a voluntary basis are collected and processed for the purposes of your identification and for the purposes of BNB Ordinance No 16 of 2018 on Issuance of Licenses and Approvals, Entry into the Register under Article 19 of the Law on Payment Services and Payment Systems, and Requirements to the Activity of Operators of Payment Systems with Settlement Finality. Third persons may obtain information only under the procedure and terms laid down by law. You are entitled to both access and rectification of collected personal data.

Date (DD/MM/YYYY): _____

Signature: _____

