

# Law<sup>\*</sup> on Credit Servicers and Credit Purchasers

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## Chapter One GENERAL PROVISIONS *Subject*

**Article 1.** (1) This Law shall regulate:

1. the terms and conditions for licensing persons engaged in servicing claims on non-performing loans granted by a credit institution, who act on behalf of a credit purchaser, as well as requirements for carrying out this activity, and requirements for supervision and control over these persons;
2. the requirements to credit purchasers that acquire claims on non-performing loans granted by a credit institution, as well as the requirements regarding control over them;
3. the obligations of credit institutions operating on the territory of the Republic of Bulgaria related to the transfer of claims on non-performing loans, as well as the obligations to notify where credit institutions are designated by a credit purchaser to carry out the activity of servicing claims on non-performing loans.

(2) This Law shall apply only to non-performing loans provided by credit institutions established in the European Union.

### *Aim*

**Article 2.** This Law aims to encourage the development of the secondary market of non-performing loans granted by credit institutions, with safeguard mechanisms established to ensure the protection of borrowers' rights.

### *Exclusions the Scope*

**Article 3.** The provisions of this Law shall not apply to:

1. servicing non-performing credit agreements carried out by:
  - a) a credit institution established in the European Union;
  - b) a person managing alternative investment funds, licensed or registered in accordance with the Law on the Operation of the Collective Investment Schemes and of Other Undertakings For Collective Investment and a management company within the meaning of the same Law;
  - c) a financial institution under Article 3a of the Law on Credit Institutions which is a creditor within the meaning of the Consumer Credit Law or the Law on Consumer Real Estate Loans, when it carries out activities of servicing non-performing credit agreements, in respect of which the institution is the original creditor;
  - d) a bailiff, when performing these activities within the framework of his profession;
  - e) a lawyer or law firm, when performing activities of legal representation and provision of legal advice in connection with servicing of non-performing loans within the scope of their profession;

<sup>\*</sup> 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.

f) a notary, if engaged in such activities in accordance with the Notaries and Notarial Practice Law within the scope of his profession;

2. servicing of claims on non-performing loans granted by a credit institution established outside the European Union, except where non-performing loans are replaced by credit agreements granted by a credit institution established in the European Union;

3. credit institutions established in the European Union, when acquiring claims on non-performing loans, except in the case under Article 34, paragraph 2;

4. the transfer of claims on non-performing credit agreements granted by a credit institution, carried out before the entry into force of this Law;

5. natural persons who acquire claims on non-performing loans provided by credit institutions outside their commercial, business or professional activities.

#### *Subsidiary Application of the Current Legislation*

**Article 4.** (1) For the cases not regulated by this Law, the following shall apply:

1. the principles of contract and civil law governing the transfer of claims, established in Bulgarian legislation;

2. Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction, recognition and enforcement of judgments in civil and trade matters (OJ, L 351/1 of 20 December 2012);

3. Part Five of the Civil Procedure Code with regard to claims subject to enforcement;

4. the consumer protection rules, including under the Consumer Protection Law, the Consumer Credit Law and the Law on Consumer Real Estate Loans.

(2) The credit purchaser shall have the same rights and obligations towards the borrower as the previous creditor had towards him before the transfer of claims on non-performing loans, subject to compliance with the requirements of the regulatory framework for the protection of borrowers, applicable to the credit agreement.

#### *Competent Authorities*

**Article 5.** (1) The competent authority for the activities of persons under this Law, with the exception of the activities related to consumer protection, shall be the Bulgarian National Bank.

(2) The competent authority for the activities related to consumer protection under this Law shall be the Consumer Protection Commission.

(3) The Bulgarian National Bank and the Consumer Protection Commission shall exchange information and cooperate in the implementation of this Law.

#### *Credit Servicer*

**Article 6.** (1) A credit servicer shall be a legal entity established in a Member State which has received a license from a competent authority of the home Member State to carry out one or more of the activities referred to in paragraph 2.

(2) A credit servicer shall exercise the rights and fulfil the obligations on behalf of the credit purchaser under a non-performing loan granted by a credit institution, and shall carry out one or more of the following activities:

1. collecting or recovering from the borrower payments due under a credit agreement;

2. re-negotiating with the borrower the terms and conditions of the credit agreement in accordance with the instructions given by the credit purchaser, where the credit servicer is not a credit intermediary within the meaning of § 1, item 9 of the Additional Provisions of the Consumer Credit Law and § 1,

item 8 of the Additional Provisions of the Law on Consumer Real Estate Loans;

3. registering and examining complaints from borrowers;

4. notifying the borrower of any change in interest rates or fees, as well as of any payments due under the credit agreement.

(3) The Bulgarian National Bank shall issue a license for the performance of one or more of the activities under paragraph 2 to a person with a registered office on the territory of the Republic of Bulgaria.

(4) A credit servicer licensed by the Bulgarian National Bank may include in its scope of activities and carry out other commercial activities, including when, on its own behalf and at its own expense, acquires claims on non-performing loans provided by a credit institution, or proceeds to out-of-court enforcement of collateral under the procedure of the Special Pledges Law.

(5) A person that is not entered in the register under Article 15 may not use in its name, advertising or other activities words in Bulgarian or in any foreign language denoting the performance of credit servicing activities.

### *Credit Purchaser*

**Article 7.** (1) A credit purchaser shall be any natural person or legal entity that is not a credit institution and that, within the scope of his/its commercial, business or professional activities, acquires claims on non-performing loans provided by a credit institution.

(2) Credit purchasers under paragraph 1 shall have a trade registration within the meaning of the Commerce Law.

## *Chapter Two*

## **CREDIT SERVICERS**

### *Section I*

### **General Provisions**

#### *Requirements to Credit Servicers*

**Article 8.** (1) A credit servicer shall be established as a joint-stock company and, unless otherwise provided for in this Law, the Commerce Law shall apply to it. The registered office and head office address entered in the Commercial Register and the Register of Non-profit Legal Entities shall coincide with the place where the management of the applicant is actually carried out.

(2) The capital of the joint-stock company shall be registered and fully paid in cash as of the date of submission of the application for issuing a license, as of the date of submission of the application for entry in the Commercial Register and the Register of Non-profit Legal Entities, respectively – in the event of a subsequent increase in the capital.

(3) The contributions of founders and shareholders into the capital of the joint-stock company may not be made with borrowed funds, with funds obtained as a result of criminal or other illegal activity, or with funds whose origin is unclear.

(4) The shares in the capital of a credit servicer shall be dematerialised. Article 185, paragraph 2, sentence two of the Commerce Law shall not apply.

(5) A credit servicer may not issue preference shares giving the right to more than one vote.

(6) The capital of the credit servicer may not be reduced below the amount of the capital initially paid in under paragraph 2.

(7) In the event that the credit servicer is part of a financial group, the activities of the company shall be clearly distinguished from those of the group, and the results achieved by the group shall not

be presented as results of the credit servicer.

(8) Persons who manage and represent a credit servicer and members of its management and control bodies, including representatives of legal entities in these bodies, shall have a good reputation and meet the following conditions:

1. have not been convicted of an intentional crime against property, against the economy, against the financial, tax and social insurance system, a crime in office, including for revealing a professional secret or a crime against the person, as well as other violations in the field of companies, bankruptcy, insolvency and consumer protection, unless they have been rehabilitated;

2. have higher education with an acquired educational and qualification master degree;

3. have the necessary knowledge and skills, professional qualification and at least three years of professional experience in a position with managerial functions in the field of economics, law, finance or in collecting non-performing loans;

4. the presence of minor cases of administrative violations does not affect their good reputation;

5. in their previous activities, they have always been transparent, open and ready to cooperate with the supervisory and regulatory bodies, and have complied with received instructions, recommendations and enforced administrative measures;

6. have not been declared bankrupt as a sole trader or unlimited partner in a trade company, have not been members of a management or control body of a company against which bankruptcy proceedings have been opened or it itself has been declared bankrupt, unless their rights have been restored.

(9) The members of the management and control bodies of a credit servicer, taken together, shall possess appropriate knowledge and experience for a competent and responsible management of the activity depending on:

1. the size of the company's own assets and liabilities;

2. the volume of managed claims on non-performing loans;

3. the degree of complexity of the managed non-performing loans, including the collateral thereon;

4. the assessment of whether the company is part of a group – within the scope of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ, L 176/338 of 27 June 2013) on a consolidated basis;

5. whether the shares of the joint-stock company are traded in a regulated market in a Member State;

6. whether the credit servicer will carry out cross-border credit servicing;

7. the nature and character of all activities that the credit servicer intends to carry out, as well as the organisational form of the credit servicer, including any outsourcing agreements concluded.

(10) Persons holding qualifying shareholding within the meaning of Article 4(1)(36) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) No 648/2012 (OJ, L 176/1 of 27 June 2013), hereinafter referred to as 'Regulation (EU) No 575/2013', in the capital of a credit servicer shall have a good reputation in accordance with at least the requirements of paragraph 8, items 1 and 6.

(11) The credit servicer shall apply trustworthy rules and procedures for managing the activity under Article 6, paragraph 2, which include:

1. a clear organisational structure;

2. the conditions for outsourcing activities;

3. clearly defined, transparent and consistent liability rules;

4. appropriate management procedures and internal control mechanisms ensuring sound and prudent management;

5. risk management and accounting procedures that ensure protection of borrowers' rights and compliance with the laws governing creditors' rights, as well as compliance with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ, L 119/1 of 4 May 2016), hereinafter referred to as 'Regulation (EU) 2016/679';

6. appropriate rules and procedures that include measures to ensure continuity of the credit servicer's activities;

7. an appropriate policy ensuring compliance with the rules for protection, fair and ethical treatment of borrowers, including with respect to their financial situation, and where necessary, their referral to debt repayment consultations or social services;

8. internal rules and procedures for registering and considering complaints received from borrowers;

9. reliable and effective internal control mechanisms for fulfilling the obligations under the Law on the Measures Against Money Laundering and the Law on the Measures Against Financing of Terrorism.

(12) The credit servicer shall take out a Professional Liability insurance for damages incurred as a result of culpable failure to fulfill its obligations. The minimum insurance amount under the insurance for one insured event shall be BGN 50,000, and for all insured events for one year – BGN 2,000,000.

(13) The credit servicer shall be obliged to apply reliable and appropriate measures for the protection of funds, if receiving and holding funds from borrowers.

(14) The credit servicer shall maintain up-to-date information on its website under paragraph 11, items 7 and 8.

(15) The credit servicer shall prepare and submit to the Bulgarian National Bank financial statements that reflect its financial situation.

(16) The credit servicer shall organise and carry out its accounting and prepare its annual financial statements, the annual report on its activities in accordance with the requirements of the Accountancy Law, the applicable International Accounting Standards, the provisions of this Law and the acts on its implementation.

(17) Annual financial statements of a credit servicer shall be subject to an independent financial audit by an audit firm that is a registered auditor in accordance with the requirements of the Independent Financial Audit and Sustainability Assurance Law and is appointed by the General Meeting of the credit servicer.

(18) In its ordinance, the Bulgarian National Bank shall set the procedure for providing financial and statistical reporting by credit servicers.

## Section II Issuing and Withdrawing a License

### *Procedure for Licensing of Credit Servicers*

**Article 9.** (1) A person who intends to carry out one or more of the activities under Article 6, paragraph 2 shall submit a written application to the Bulgarian National Bank in accordance with an approved template for a license, along with all information and documents necessary for the Bulgarian National Bank to establish that the requirements of Article 8 and, where applicable, the conditions of Article 13, paragraphs 2–4 have been met.

(2) In the application for issuing a license, the applicant shall indicate the unique identification code under Article 23 of the Law on the Commercial Register and the Register of Non-Profit Legal Entities and attach:

1. a copy of the Articles of Association and statutes of the applicant company;



2. the management structure;
3. information on the registered office and head office address;
4. a certified copy of the shareholders' register;
5. a list of shareholders who hold a qualifying shareholding within the meaning of Article 4(1)(36) of Regulation (EU) № 575/2013;
6. a list of the managers, members of the management and supervisory bodies of the company, as well as of the persons who are authorised to manage and represent the company;
7. a certified copy of the identity document of the persons who manage and represent the applicant, as well as of the persons holding a qualifying shareholding in the company's capital within the meaning of Article 4(1)(36) of Regulation (EU) No 575/2013;
8. documents according to the requirements of Article 8, paragraphs 8 and 9, as follows:
  - a) a criminal record certificate or another similar document, in case the natural person is not a Bulgarian citizen;
  - b) a copy of a higher education diploma obtained before 1 January 2012, or a certified certificate of recognition of higher education obtained from a foreign higher education institution until April 2009, provided that the diploma obtained is recognised by the Republic of Bulgaria and has been legalised; for a higher education diploma obtained in the Republic of Bulgaria after 1 January 2012, the number of the diploma shall be indicated, and for a higher education diploma from a foreign higher education institution obtained after April 2009, the number of the certificate of recognition of the acquired higher education shall be indicated, and these circumstances shall be checked *ex officio* in the relevant registers kept by the National Information and Documentation Centre;
  - c) a questionnaire-declaration of professional qualification, reliability and good reputation, and other documents certifying professional experience;
  - d) a declaration that the person has not been declared bankrupt as a sole trader or unlimited partner in a trade company, unless his rights have been restored, respectively, he has not been a member of a management or supervisory body of a company against which bankruptcy proceedings have been opened or has been declared bankrupt, unless his rights have been restored;
9. the documents under item 8, letters 'a' and 'd' for persons holding qualifying shareholding of the capital within the meaning of Article 4(1)(36) of Regulation (EU) No 575/2013;
10. a policy for outsourcing activities, where applicable;
11. rules and procedures that include a governance framework and internal control mechanisms, including sound and effective administrative and accounting procedures that ensure stable and prudent management, as well as risk management procedures in accordance with the requirements of Article 8, paragraph 11, items 4 and 5;
12. rules and procedures that include measures to ensure business continuity in accordance with the requirements of Article 8, paragraph 11, item 6;
13. a policy for compliance with the rules for the protection of borrowers in accordance with the requirements of Article 8, paragraph 11, item 7;
14. rules and procedures for registering and considering complaints submitted by borrowers in accordance with the requirements of Article 8, paragraph 11, item 8;
15. a certificate evidencing a special bank account available under Article 13, where applicable;
16. a contract with a credit institution for servicing a special account in the cases under Article 13, where applicable;
17. certified copies of the contracts for outsourcing activities, where applicable;
18. a certified copy of an insurance policy for a concluded Professional Liability insurance, covering liability on the territory of each country in which it will carry out debt servicing activities, and a document certifying that the entire insurance premium has been paid;
19. a document for a paid fee under Article 10, paragraph 1, except when the fee is paid electronically;

20. a list of the offices in which it intends to carry out activities as a credit servicer;

21. evidence of reliable and effective internal control mechanisms for the fulfillment of the obligations under the Law on the Measures Against Money Laundering and the Law on the Measures Against Financing of Terrorism.

(3) When submitting an application for a license under paragraph 1, the applicant shall indicate whether it intends to receive and hold borrowers' funds in a special bank account under Article 13, as well as whether it intends to engage in cross-border credit servicing under Article 22.

(4) The circumstances under paragraph 2, items 1, 3, 6 and under item 8, letter 'a', when the applicant is a Bulgarian citizen, shall be established *ex officio* by the Bulgarian National Bank.

(5) The Bulgarian National Bank shall check the completeness of the application and the documents attached thereto certifying compliance with the requirements under this Law within 45 days of their receipt. The Bulgarian National Bank may once require the applicant to submit additional information or documents within a period specified by it, which may not be shorter than ten days.

(6) The Bulgarian National Bank shall send the documents under paragraph 2, items 13 and 14 to the Consumer Protection Commission for an opinion. The Consumer Protection Commission shall send an opinion within 14 days of receipt of the documents under paragraph 5.

(7) The Bulgarian National Bank may take into account the opinion of the Consumer Protection Commission under paragraph 6 on compliance with the requirements under Article 8, paragraph 11, items 7 and 8, as well as any other information that is relevant for the issuance of a license.

(8) The Bulgarian National Bank shall decide to issue a license or to refuse to issue a license within 90 days from the date of receipt of the application.

(9) In the cases where the competent body has granted a period for elimination of irregularities and/or for the provision of additional information, the decision period under paragraph 8 shall apply from the date of elimination of the irregularities and/or the provision of additional information.

(10) The Bulgarian National Bank shall, where necessary, require the submission of additional documents certifying the requirements under this Law and the implementing acts thereof, as well as assistance and information from other bodies.

(11) The Bulgarian National Bank shall issue a license for credit servicing activities when the applicant has submitted all requested documents and information in accordance with the requirements of this Law and the implementing acts thereof, and if the applicant meets the conditions for issuing a license.

(12) The license under paragraph 11 may not be subject to legal succession, including through a transfer.

(13) After the license issued by the Bulgarian National Bank has been presented to the Registry Agency, the latter shall enter in the scope of activities the performance of activities under Article 6, paragraph 2, that the credit servicer has been licensed for.

(14) The credit servicer shall meet the requirements of Article 8 and, where applicable, the requirements of Article 13, paragraphs 2–4 throughout the entire period of validity of the issued license.

(15) The Bulgarian National Bank shall issue an ordinance for the implementation of Article 8 and this Article.

### *Fees for Administrative Expenses*

**Article 10.** (1) The Bulgarian National Bank shall collect fees for administrative expenses related to the examination of an application and documents for the issuance of a license, as well as for entering changes in circumstances into the register under Article 15.

(2) The Bulgarian National Bank shall collect annual fees to cover administrative expenses arising from the supervisory functions it performs over credit servicers.

(3) The procedure for determining the amount and the method of collecting the fees under paragraphs 1 and 2 shall be determined by an ordinance of the Bulgarian National Bank.

#### *Refusal to Issue a License*

**Article 11.** (1) The Bulgarian National Bank shall refuse to issue a license to carry out activities under Article 6, paragraph 2 where:

1. the applicant has not met one of the requirements under Article 8, and where applicable, the conditions under Article 13, paragraphs 2–4;

2. the applicant has failed to submit the necessary documents and information within the specified term, or the information provided contains incomplete, contradictory or incorrect information.

(2) The refusal to issue a license shall be motivated.

(3) In the event of a refusal, the applicant may submit a new application for the issuance of a license to carry out activities under Article 6, paragraph 2 no earlier than six months from the entry into force of the refusal.

#### *Notification of a Subsequent Change in the Stated Information*

**Article 12.** (1) After obtaining a license, the credit servicer shall notify the Bulgarian National Bank within 14 days of becoming aware of any change in the information and documents submitted in connection with the issuance of the license, as well as the circumstances as of the date of its issuance.

(2) When the credit servicer intends to change the scope of the activities performed, for which it has been issued a license, it shall submit an application for a change of the license, with Articles 8–11 applying accordingly.

(3) In the event of a change in the composition of the bodies and persons under Article 8, paragraphs 8 and 10, the requirements of Article 8 shall apply, and the credit servicer shall notify the Bulgarian National Bank and provide the necessary documents under Article 9, paragraph 2 within the period under paragraph 1. Sentence one shall also apply in cases where a person under Article 8, paragraphs 8–10 ceases to meet the requirements of this Law.

#### *Ability to Receive and Hold Funds*

**Article 13.** (1) When submitting an application for a license under Article 9, the applicant shall indicate whether it intends to receive and hold funds from borrowers.

(2) A credit servicer shall receive and hold funds from borrowers in a special bank account designated solely for funds for the repayment of borrowers' debts. The special account shall be opened in a bank licensed in a Member State.

(3) The funds received in the special account under paragraph 2 shall be kept until their distribution to the respective credit purchaser, subject to the conditions agreed upon under Article 36.

(4) The credit servicer shall not mix the funds received from borrowers under paragraph 2 with its own funds, but report them separately.

(5) On the funds received in the special account under paragraph 2, no attachment may be imposed and no enforcement may be carried out for debts of the credit servicer.

(6) Upon initiating bankruptcy proceedings for a credit servicer, funds received from borrowers shall not be included in the bankruptcy estate, but shall be transferred to the respective credit purchasers by the assignee in bankruptcy, in proportion to the funds received from borrowers.

(7) Funds received in the special account under paragraph 2 for partial or full debt repayment shall be considered a payment in favour of the credit purchaser.

(8) The credit servicer shall provide the borrower with a statement of the payment made and the



balance of the obligation, or shall send to the borrower a letter of release from the obligation, in which it confirms the funds received to that date. The statement or letter shall be provided, sent, respectively, on paper or another durable medium.

(9) Where a credit servicer does not receive nor hold funds from borrowers, this shall be expressly stated in the application under Article 9.

(10) Where it is prohibited in the home Member State of the credit servicer for him to receive and hold funds from borrowers, the person may not carry out this activity on the territory of the Republic of Bulgaria either.

### *Withdrawal of a License*

**Article 14.** (1) The Bulgarian National Bank shall withdraw the issued license for activities under Article 6, paragraph 2 when the credit servicer:

1. does not make use of the license within 12 months from the date of its issuance;
2. expressly renounces the issued license;
3. has ceased to engage in the activities of a credit servicer for more than 12 months;
4. has acquired a license that was issued through false documents and information;
5. no longer meets the requirements for granting a license;
6. fails to comply with other requirements under this Law and the secondary legislation implementing it;
7. commits a serious violation or systematically violates the provisions of this Law, the acts implementing it, the acts implementing Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit purchasers, and amending Directives 2008/48/EC and 2014/17/EU (OJ, L 438/1 of 8 December 2021), hereinafter referred to as 'Directive (EU) 2021/2167', or the legislation in the field of consumer protection;
8. violates the provisions of the Law on the Measures Against Money Laundering and the Law on the Measures Against Financing of Terrorism upon a motivated request from the State Agency 'National Security' in the cases under paragraph 5.

(2) The Bulgarian National Bank may withdraw the issued license for activities under Article 6, paragraph 2 in the cases where a credit servicer has not complied with an applied enforced administrative measure under this Law.

(3) Upon establishing violations of Sections IV and V, as well as on the grounds of paragraph 1, item 7, related to consumer rights protection, the Consumer Protection Commission shall send to the Bulgarian National Bank a motivated request to withdraw the license of a credit servicer with evidence attached thereto.

(4) In the cases under paragraph 3, the Bulgarian National Bank may withdraw the issued license for engaging in activities under Article 6, paragraph 2.

(5) The Bulgarian National Bank may withdraw the issued license to a credit servicer on the grounds of paragraph 1, item 8 upon a motivated request of the Chairman of the State Agency 'National Security' with evidence attached thereto.

(6) Upon withdrawing the license of a credit servicer, in accordance with paragraphs 1, 2, 4 and 5, the Bulgarian National Bank shall immediately notify the competent body of the host Member State thereof, when the person carries out activities in another Member State, as well as the competent body of the Member State in which the credit was granted, where it is different from the host Member State and the Republic of Bulgaria.

(7) Within seven days from withdrawing the credit servicer's license, the Bulgarian National Bank shall submit a request to the Registry Agency to delete this activity from the subject of activities of the

respective trader in the Commercial Register and the Register of Non-profit Legal Entities.

(8) Within one month of withdrawal of the license, the credit servicer shall transfer the funds received in the special account under Article 13 to the respective credit purchasers.

### *Register of Credit Servicers*

**Article 15.** (1) Persons who have received a license to engage in activities under Article 6, paragraph 2 shall be listed in a register kept by the Bulgarian National Bank.

(2) The register under paragraph 1 shall be publicly accessible in electronic form and updated regularly.

(3) Upon withdrawing a license in accordance with Article 14, the Bulgarian National Bank shall immediately update the register under paragraph 1.

(4) When the Bulgarian National Bank receives a notification from a competent authority of another Member State that the license of a credit servicer carrying out activities directly or through a branch on the territory of the Republic of Bulgaria has been withdrawn, the Bulgarian National Bank shall immediately update the register under paragraph 1.

(5) The content, conditions and procedure for keeping and maintaining the register under paragraph 1 shall be determined by an ordinance of the Bulgarian National Bank.

## **Section III** **Outsourcing by a Credit Servicer**

### *Using a Credit Service Provider*

**Article 16.** (1) A credit servicer may outsource to a credit service provider the performance of one or more activities under Article 6, paragraph 2.

(2) In the cases under paragraph 1, the credit servicer shall remain fully responsible for any action or inaction of the credit service provider.

(3) Outsourcing of one or more activities under Article 6, paragraph 2 to credit service providers shall be subject to the following requirements:

1. the conclusion of a written outsourcing agreement between the credit servicer and the credit service provider under which the credit service provider is required to comply with the requirements of this Law, the guidelines of the European Banking Authority and the regulatory technical standards applicable to the collection of claims arising from the non-performing loan agreement;

2. the outsourcing to a credit service provider of all credit servicing activities at the same time shall be forbidden;

3. the outsourcing by a credit service provider to another credit service provider shall be forbidden;

4. the contract concluded with a credit service provider:

a) shall not alter the contractual relations between the credit servicer and the credit purchaser;

b) shall not affect the obligations arising from the current legislation of the credit servicer to the credit purchaser or to borrowers;

5. the compliance of the credit servicer with the requirements of the license issued shall not be affected by the outsourcing;

6. the outsourcing to the credit service provider does not prevent the supervision by competent authorities of a credit servicer in accordance with Section V of this Chapter and Chapter Seven;

7. the credit servicer has direct access to all information and documents concerning the credit servicing activities outsourced to a credit service provider;

8. the credit servicer maintains appropriate expertise, experience and resources for the competent and responsible performance of activities outsourced to a credit service provider in the event of

termination of the outsourcing agreement;

9. outsourcing of credit servicing activities shall be carried out in a manner that does not lead to the obstruction or deterioration of the quality of the internal control exercised by credit servicers or to the stability or continuity of the credit servicing activities performed by it.

(4) The credit servicer shall notify in writing the Bulgarian National Bank and, where applicable, the competent authority of the host Member State before outsourcing activities under Article 6, paragraph 2.

(5) The credit servicer shall keep chronologically the concluded contracts for outsourcing credit servicing activities under paragraph 3, as well as the instructions provided to the credit service provider in accordance with the requirements of the applicable legislation and the outsourcing agreement for credit servicing activities.

(6) The documents and information under paragraph 5 shall be kept for a period of at least five years from the date of termination of the outsourcing agreement for credit servicing activities referred to in paragraph 3.

(7) The credit servicer and the credit service provider shall, upon request by the Bulgarian National Bank and the Consumer Protection Commission, provide the documents and information under paragraph 5.

(8) Credit service providers cannot receive or hold funds from borrowers.

#### Section IV Relationship with Borrowers

##### *Requirements for Fair Treatment of Borrowers*

**Article 17.** (1) Credit purchasers and credit servicers shall perform their duties in good faith and professionally, treating borrowers fairly and respecting their rights and interests.

(2) Any information that a credit purchaser and a credit servicer give to borrowers shall be clear, understandable and not misleading.

(3) The provision of misleading information shall be forbidden.

(4) The credit purchaser and the credit servicer shall be obliged to:

1. respect and protect the privacy of consumers, by at least:

a) not making telephone calls between 8:00 p.m. and 7:00 a.m., on weekends and holidays;

b) not contacting in connection with or on the occasion of the claim with persons against whom it has not been transferred;

c) not posting notifications and information about the consumer's debt in any form in public places;

2. implement rules for ethical behaviour and communication with borrowers.

(5) Using aggressive and misleading commercial practices within the meaning of the Consumer Protection Law shall be forbidden.

(6) Credit purchasers and credit servicers shall communicate only by making telephone calls or sending requests in written and electronic form, addressed personally to the debtor. Credit purchasers and credit servicers shall provide the debtor with the opportunity to visit their office at his own initiative.

(7) The credit purchaser and credit servicer shall comply with the requirements for the protection of personal data under Regulation (EU) 2016/679 and the Protection of Personal Data Law.

##### *Obligation to Notify Borrowers*

**Article 18.** (1) The credit purchaser shall send the borrower a notification of the debt transfer, signed by the transferor and the purchaser, with content in accordance with paragraph 4. The notification

shall be sent after each debt transfer and always before the first debt collection, as well as upon request by the borrower.

(2) In the cases under Article 35, paragraphs 1 and 8, the notification under paragraph 1 shall be sent by the credit institution or the credit servicer, and in the cases under Article 35, paragraph 2, the notification shall be sent by the credit purchaser.

(3) The notification under paragraph 1 shall be submitted to the borrower free of charge, on paper or on another durable medium.

(4) The notification under paragraph 1 shall contain:

1. information on the transfer made, including the transfer date;
2. identification and contact details of the credit purchaser;
3. identification and contact details of a credit servicer or a credit institution, where the credit purchaser has outsourced the credit servicing activities;
4. details certifying the issued license, where the credit purchaser has outsourced the credit servicing activities to a credit servicer and where the credit purchaser is servicing the credit contract itself;
5. identification and contact details of the credit service provider, where applicable;
6. a clearly identified person or contact point for the provision of information by:
  - a) the credit purchaser;
  - b) a credit institution, where credit servicing activities are outsourced;
  - c) a credit servicer, where credit servicing activities are outsourced;
  - d) a credit service provider, where applicable;
7. information about the borrower's obligation as of the date of sending the notification, containing the type and amount of the claim, its basis, the date of the claim becoming due, if announced and known, the amounts repaid to date – by type, amount and date of repayment, and all amounts due, including principal, interest, fees and other costs, indicating the methodology of calculating the legal interest that is charged on the interest-bearing part of the non-performing loan as of the date of sending the notification;
8. an instruction on the applicability of Bulgarian legislation and European Union law in the field of the enforcement of contract law, consumer protection, borrowers' rights and penal law after the transfer of the claim;
9. the purposes for which personal data is processed, and the legal basis for its processing;
10. the type of personal data;
11. the period for which personal data will be stored or the criteria to be used to determine this period;
12. the existence of the right of access, rectification, erasure of personal data;
13. the existence of the right to restriction of processing of personal data, to object to processing or to the right to transfer personal data;
14. the name, address and contact details of the competent authorities for lodging a complaint in the Member State in which the borrower has his habitual residence or his registered office, or of the Member State in which his central administration is located, where, under national law, he has no registered office;
15. information on the right of protection in the event of expiry of the limitation period, unfair terms in the contract with the original creditor and the possibilities for judicial challenge, where the borrower is a consumer.

(5) The notification under paragraph 1 shall:

1. be drafted in Bulgarian, and when accompanied by a foreign translation, it shall fully correspond to the text in Bulgarian;
2. be written clearly and comprehensibly, and the concepts used shall be consistent with the terminology adopted in the regulatory framework;

3. not contain texts that contradict the regulatory framework;
  4. not contain false, incomplete, misleading or deceptive data and information, including that the information in it shall not hide or conceal material facts and circumstances;
  5. not contain ambiguous or inaccurate information as a result of which the borrower may form a false impression or conclusion about the credit servicer.
- (6) The credit purchaser, and in the cases under Article 35, paragraphs 1 and 8 the designated credit institution or the credit servicer, shall inform borrowers about the options for out-of-court dispute resolution.
- (7) In carrying out any subsequent communication with the borrower, the credit purchaser, and in the cases under Article 35, paragraphs 1 and 8 the designated credit institution or the credit servicer, shall provide the information under paragraph 4, item 6.
- (8) When the credit purchaser, and in the cases under Article 35, paragraphs 1 and 8 – the designated credit institution or the credit servicer, sends a notification to the borrower for the first time after a new credit servicer has been appointed, they shall provide the information under paragraph 4, items 3, 4 and 6.
- (9) The original creditor or the credit purchaser, who is in possession of the documents certifying the debt or containing information related to it, shall be obliged, upon written request from the borrower, to provide him with copies of the documents free of charge up to four times within one calendar year.

#### *Restrictions*

**Article 19.** The credit purchaser, and in the cases under Article 35, paragraphs 1 and 8 the designated credit institution or the credit servicer, shall not be entitled to claim from the borrower a claim other than the due amount specified in the borrower's contract with the original creditor.

#### *Obligation to Safe-keep Documents*

- Article 20.** (1) The credit servicer shall keep the following documents:
- a credit servicing agreement concluded with a credit purchaser pursuant to Article 36;
  - the whole correspondence with the credit purchaser and the borrowers, including recordings of phone calls held with borrowers, where applicable, in compliance with the requirements of current legislation;
  - 3. instructions given by the credit purchaser related to the exercising of rights and performing duties under a credit servicing agreement, in compliance with the requirements of current legislation.
- (2) The documents under paragraph 1 shall be kept for at least 5 years starting from the date of termination of the credit servicing agreement specified in paragraph 1.
- (3) In fulfilling paragraphs 1 and 2, the credit servicer shall comply with the requirements for personal data protection provided for in Regulation (EU) 2016/679 and in the Protection of Personal Data Law.
- (4) The credit servicer shall provide the documents specified in paragraph 1 to the Bulgarian National Bank upon request.

### **Section V** **Cross-border Credit Servicing**

#### *Freedom to Provide Credit Servicing Activities in the Republic of Bulgaria*

**Article 21.** A credit servicer who has obtained a license in another home Member State may, in compliance with the requirements of this Law, engage on the territory of the Republic of Bulgaria in the credit servicing activities on non-performing loans included in the issued license.



*Requirements for the Provision of Credit Servicing Activities in Another Member State*

**Article 22.** (1) A credit servicer that has obtained a license pursuant to Article 9 may, directly or through a branch, engage in activities under Article 6, paragraph 2 on the territory of a host Member State, while observing the restrictions and requirements provided for in its national legislation, and after having notified in writing thereof the Bulgarian National Bank.

(2) With the notification under paragraph 1, the credit servicer shall provide the Bulgarian National bank with:

1. information on a Member State, in which it intends to engage in the activities under Article 6, paragraph 2;

2. information on the Member State, in which the credit was granted, when the state is other than the Republic of Bulgaria and the host Member State, where such is available;

3. the address of the branch in the host Member State, where applicable;

4. the contact details of the credit service provider in the host Member State, where applicable;

5. the data of the persons who will be responsible for the management of the activities under Article 6, paragraph 2;

6. information on the measures taken to align its internal rules, procedures and internal management and control mechanisms with the legislation of the host Member State, where applicable;

7. information on the appropriate means of communication available in the language of the host Member State or in the language in which the credit agreement was concluded, where different;

8. information on the right to receive and hold funds from borrowers in accordance with the license issued;

9. information on the procedure for compliance with the rules on measures against money laundering and terrorist financing, where the legislation of the host Member State defines credit servicers as obliged entities pursuant to Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering and terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ, L 141/73 of 5 June 2015).

(3) The Bulgarian National Bank shall provide the information and data under paragraph 2 to the competent authorities of the host Member State within 45 days of their receipt.

(4) The Bulgarian National Bank shall inform the person under paragraph 1 of the date on which the information and data under paragraph 2 were provided to the competent authorities of the host Member State, as well as of the date on which their receipt was confirmed.

(5) The Bulgarian National Bank shall provide the information and data under paragraph 2 to the competent authorities of the Member State in which the credit was granted, when it is different from the Republic of Bulgaria and the host Member State.

(6) Failure to fulfill the obligations under paragraphs 3–5 shall be subject to appeal by the person under paragraph 1 under the order of the Administrative Procedure Code within one month from the expiration of the period under paragraph 3.

(7) The person under paragraph 1 shall notify the Bulgarian National Bank of all subsequent changes in the information and data under paragraph 2. In this case, the Bulgarian National Bank shall apply paragraphs 3–5.

*Right to Engage in Credit Servicing Activities on the Territory of the Republic of Bulgaria*

**Article 23.** (1) The Bulgarian National Bank shall promptly confirm the receipt of information from a competent authority of a home Member State to a credit servicer which intends to engage in credit servicing activities on the territory of the Republic of Bulgaria.

(2) A person under paragraph 1 may start engaging in credit servicing activities on the territory of the Republic of Bulgaria:

1. from the date of the confirmation under paragraph 1, or
2. after expiry of two months from the submission of all necessary information by the competent authority of the home Member State, in case there is no confirmation of receipt of the information under paragraph 1.

(3) The Bulgarian National Bank shall enter in the register under Article 15 the persons under paragraph 1, as well as the information about the home Member State.

### *Supervisory and Control Bodies*

**Article 24.** (1) Supervision and control over credit servicers licensed in the Republic of Bulgaria, operating on the territory of a host Member state, shall be carried out by the Bulgarian National Bank, respectively by the Consumer Protection Commission.

(2) When exercising their supervisory and control powers over credit servicers operating on the territory of a host Member State, the Bulgarian National Bank, respectively the Consumer Protection Commission, shall have the right to carry out on-site inspections, exercising the powers under Article 46, including to request information about credit servicers' activities and also for supervisory purposes.

(3) When, while carrying out an inspection under paragraph 2, the Bulgarian National Bank, respectively the Consumer Protection Commission, establish a violation of this Law and the secondary legislation implementing it, if the act committed constitutes a crime, they shall notify the prosecution authorities for the purpose of making an assessment so as to initiate criminal proceedings.

(4) Before carrying out an inspection under paragraph 2, the Bulgarian National Bank shall consult with the competent authorities of the host Member State.

(5) After carrying out an inspection under paragraph 2, the Bulgarian National Bank shall communicate the results and the measures taken to the competent authorities of the host Member State and of the Member State in which the credit was granted, when it is different from the Republic of Bulgaria and the host Member State.

### *Supervisory Cooperation in Cross-border Credit Servicing*

**Article 25.** (1) When exercising its powers with regard to credit servicers, the Bulgarian National Bank shall exchange information and cooperate:

1. with the competent authority of the home Member State of the credit servicer, when the Republic of Bulgaria is the host Member State;
2. with the competent authority of the host Member State, when the Republic of Bulgaria is the home Member State;
3. with the competent authority of the Member State in which the credit was granted, when it is different from the Republic of Bulgaria and the host Member State, where applicable.

(2) The exchange of information and cooperation with the competent authorities under paragraph 1 shall be carried out through the Bulgarian National Bank.

(3) When providing information under paragraph 1, the Bulgarian National Bank may indicate that the information may be disclosed only after its explicit consent.

(4) When the Bulgarian National Bank receives information from a competent authority designated by another Member State, it may be used only for the purposes for which the other competent authority has given its consent.

(5) The Bulgarian National Bank may provide the information received under paragraph 4 to the Consumer Protection Commission. The Bulgarian National Bank and the Consumer Protection Commission may give this information to other bodies and persons with the consent of the competent

authorities that have provided it and for the purposes for which the consent has been given. This restriction shall not apply in the cases under Article 40, paragraph 5, of which the Bulgarian National Bank shall notify the respective competent authority that provided the information.

#### *Interaction with a Competent Authority*

**Article 26.** (1) The Bulgarian National Bank and the Consumer Protection Commission may request assistance from the competent authority of the host Member State to conduct an on-site inspection in the host Member State of a credit servicer who has received a license under Article 9, its branch or its credit service provider. The inspection shall be carried out by the competent authority of the host Member State in cooperation with the Bulgarian National Bank, respectively with the Consumer Protection Commission, in accordance with the legislation of the host Member State.

(2) Where a competent authority of a host Member State notifies the Bulgarian National Bank that a person under paragraph 1 does not comply with the legislation of the host Member State for engaging in credit servicing activities and provides evidence of the violations committed, the Bulgarian National Bank and the Consumer Protection Commission shall take appropriate measures with respect to that person.

(3) The measures taken under paragraph 2 shall not prevent the powers of the competent authority of the host Member State to exercise supervision, carry out inspections, where applicable, and impose sanctions on a person under paragraph 1, in accordance with the legislation of the host Member State.

(4) Within two months of receiving the notification under paragraph 2, the Bulgarian National Bank shall send summary information on administrative or other procedures opened in connection with the evidence provided under paragraph 2, on the administrative penalties imposed and the enforced administrative measures applied against a person under paragraph 1, or shall send a motivated decision in case no such measures have been taken.

#### *Providing Assistance to a Competent Authority*

**Article 27.** (1) The Bulgarian National Bank and the Consumer Protection Commission shall assist the competent authority of the home Member State in carrying out an on-site inspection of a person under Article 21, of its branch or of its credit service provider, in accordance with Bulgarian legislation.

(2) Upon request for assistance from a competent authority of a home Member State, the Bulgarian National Bank and the Consumer Protection Commission shall determine the necessary measures to be taken in each individual case.

(3) Upon an on-site inspection carried out on behalf of a competent authority of a home Member State, the Bulgarian National Bank shall promptly notify the competent authority of the home Member State of the results of the inspection.

(4) The Bulgarian National Bank and the Consumer Protection Commission may, on their own initiative, carry out inspections with regard to the credit servicing activities carried out on the territory of the Republic of Bulgaria by a person under paragraph 1.

(5) In the cases under paragraph 4, the Bulgarian National Bank shall promptly provide the competent authority of the home Member State with the results of the inspection.

(6) Where the Bulgarian National Bank or the Consumer Protection Commission establish that a person under paragraph 1 has violated this Law, the Consumer Protection Law, the Law on Consumer Credit or the Law on Real Estate Loans for Consumers or the acts on their implementation, the Bulgarian National Bank shall notify the competent authority of the home Member State of the established violation, attaching evidence of the violation. Together with the notification, the Bulgarian National Bank shall also submit a motivated request to the competent authority of the home Member State to take appropriate measures.

(7) The measures under paragraph 6 shall not impede the powers of the Bulgarian National Bank and the Consumer Protection Commission to exercise supervision, carry out inspections and impose sanctions on a person under paragraph 1 in accordance with Bulgarian legislation.

(8) In the event that a person under paragraph 1 continues to infringe the applicable requirements for carrying out credit servicing activities, after the Bulgarian National Bank has notified the competent authority of the home Member State, the Bulgarian National Bank or the Consumer Protection Commission may apply appropriate enforced administrative and corrective measures, as well as impose administrative penalties, where:

1. a person under paragraph 1 has not taken appropriate and effective measures to correct the infringement within a reasonable time, or

2. immediate action is required to address a serious threat to the collective interests of borrowers.

(9) The Bulgarian National Bank and the Consumer Protection Commission may impose the sanctions and measures under paragraph 8, regardless of the administrative penalties and enforced administrative measures imposed by competent authorities of the home Member State.

(10) The Bulgarian National Bank may prohibit a person under paragraph 1 violating the applicable requirements for carrying out credit servicing activities, to carry out activities on the territory of the Republic of Bulgaria until an appropriate decision has been taken by the competent authority of the home Member State, or until the person ceases the violation.

### *Taking Appropriate Measures*

**Article 28.** (1) Where a non-performing loan has been granted on the territory of the Republic of Bulgaria and the Bulgarian National Bank or the Consumer Protection Commission establish that a credit servicer, licensed in another Member State or engaging in activities in a host Member State, is in breach of this Law, the Consumer Protection Law, the Law on Consumer Credit or the Law on Real Estate Loans for Consumers or the implementing acts thereof, the Bulgarian National Bank shall notify the competent authorities of the home Member State of the established breach, attaching evidence of the breach committed. Together with the notification, the Bulgarian National Bank shall also submit a motivated request to the competent authority of the home Member State to take appropriate measures.

(2) The measures under paragraph 1 shall not impede the powers of the Bulgarian National Bank and the Consumer Protection Commission related to exercising supervision, carrying out inspections and imposing sanctions with respect to the credit servicer, in accordance with Bulgarian legislation.

### *Member State of the Credit Agreement*

**Article 29.** (1) When the Bulgarian National Bank and the Consumer Protection Commission receive information from a competent authority of another Member State, in which a non-performing credit has been provided, where that State is different from the host Member State of the credit servicer, that a credit servicer licensed in the Republic of Bulgaria is in breach of obligations provided for in the respective national legislation implementing the requirements of Directive (EU) 2021/2167 or the national legislation governing the credit agreement, the Bulgarian National Bank and the Consumer Protection Commission, respectively, shall, on the basis of the evidence provided, take appropriate measures.

(2) The measures under paragraph 1 shall not impede the powers of the competent authority of a Member State in which the non-performing credit has been provided, where it is different from the competent authority of the host Member State and of the Republic of Bulgaria.

*Procedure for Cross-border Credit Servicing*

**Article 30.** The Bulgarian National Bank shall issue an ordinance for the implementation of this Section.

*Chapter Three***OBLIGATIONS OF CREDIT INSTITUTIONS***Right to Information of Credit Purchasers*

**Article 31.** (1) Relations between credit institutions that transfer their claims on non-performing loans, and credit purchasers shall be governed by a contract.

(2) Before concluding the contract under paragraph 1, the credit institution shall provide information to the non-performing loans' purchaser regarding the transferred claims, including the existence and types of collateral.

(3) The credit institution shall provide information necessary for the purchaser to make its own assessment regarding the value of the transferred claims on a non-performing loan, including the likelihood of recovery of the funds under it.

(4) When exchanging information under paragraphs 2 and 3, the requirements for the protection of personal data provided for in Regulation (EU) 2016/679 and in the Law on Personal Data Protection shall be complied with.

(5) By 30 June and by 31 December of the calendar year, credit institutions that transfer claims on non-performing loans shall send the following information to the competent authorities of the host Member State and to the Bulgarian National Bank:

1. legal entity identification codes (LEICs) of the legal entity of the credit purchaser and its representative under Article 38, and where such a code is not assigned, the following shall be indicated:

a) data identifying the credit purchaser and its representative under Article 38, of the persons who manage or represent them, as well as of the persons holding qualifying holdings in their capital within the meaning of Article 4, paragraph 1, item 36 of Regulation (EU) № 575/2013;

b) the address of the credit purchaser and its representative under Article 38;

2. the total amount of the transferred claims on non-performing loans;

3. the number and individual amount of the transferred claims on non-performing loans;

4. the existence and types of collateral thereon, where applicable.

(6) The Bulgarian National Bank may require credit institutions to provide the information under paragraph 5 every three months, where necessary, including for the purpose of better monitoring a large number of transferred claims on non-performing loans during extraordinary circumstances.

(7) In order to exercise its powers under this Law, the Bulgarian National Bank may require credit institutions and credit purchasers to provide additional information regarding the transferred claims on non-performing loans.

*Sending the Information*

**Article 32.** The Bulgarian National Bank shall immediately send the information under Article 31, paragraphs 5, 6 and 7 to the competent authorities of the country of origin of the credit purchaser, as well as any other information it deems necessary for the performance of their functions and obligations, where applicable.



### *Exchange of Information*

**Article 33.** The exchange of information under this Chapter shall be in accordance with the provisions of Regulation (EU) 2016/679 and Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (OJ, L 295/39 of 21 November 2018), hereinafter referred to as ‘Regulation (EU) 2018/1725’.

### *Implementing Technical Standards for Data Templates*

**Article 34.** (1) In giving the information provided for in Article 31 to credit purchasers, credit institutions shall comply with the requirements set out in Commission Implementing Regulation (EU) 2023/2083 of 26 September 2023 laying down implementing technical standards for the application of Article 16, paragraph 1 of Directive (EU) 2021/2167 of the European Parliament and of the Council with regard to the templates to be used by credit institutions for the provision to buyers of information on their credit exposures in the banking book (OJ, L 241/21 of 29 September 2023), hereinafter referred to as ‘Implementing Regulation (EU) 2023/2083’.

(2) Credit institutions shall apply the technical standards set out in paragraph 1, including with regard to the transfer of claims on a non-performing loan to another credit institution.

(3) Credit institutions shall apply the requirements set out in paragraph 1 for data for provision of information between credit institutions in cases where there is only a transfer of claims on a non-performing loan.

## *Chapter Four* **CREDIT PURCHASERS**

### *Obligations of the Credit Purchaser*

**Article 35.** (1) The credit purchaser shall enter into an agreement with a credit institution or a credit servicer which shall carry out the activities referred to in Article 6, paragraph 2 regarding claims on non-performing loans granted to consumers.

(2) The credit purchaser may independently service credit agreements concluded with consumers only after obtaining a license to carry out one or more of the activities referred to in Article 6, paragraph 2.

(3) The credit purchaser may carry out activities referred to in Article 6, paragraph 2 regarding claims on non-performing loans granted to legal entities, subject to compliance with the requirements of this Law, with the exception of the provisions of Articles 8–15.

(4) With regard to the rights and protection of borrowers related to the acquisition of claims, the rules referred to in Article 4, paragraph 1 shall also apply, as well as the requirements for protection of personal data provided in Regulation (EU) 2016/679 and in the Law on Personal Data Protection.

(5) In the cases under paragraph 1, the designated credit institution or credit servicer under paragraph 1 shall perform on behalf of the credit purchaser the obligations under paragraph 4, Articles 18, 37 and 39 arising from the transferred claim on a non-performing loan.

(6) Where no contract has been concluded with a credit institution or a credit servicer, the credit purchaser or its representative shall comply with paragraphs 4 and 5.

(7) The credit institution or credit servicer under paragraph 1 shall perform the duties of the credit purchaser on its behalf and at its expense in accordance with Bulgarian legislation.

(8) Where the credit purchaser is not established in the European Union or does not have its registered office or central administration in the European Union, its representative under Article 38 shall

conclude a contract with a credit institution or a credit servicer which shall carry out the activities under Article 6, paragraph 2 regarding claims on non-performing loans granted:

1. to consumers and persons exercising liberal professions;
2. to micro, small and medium-sized enterprises within the meaning of Article 2 of the annex to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, hereinafter referred to as 'Recommendation 2003/361/EC'.

#### *Contract for Outsourcing Credit Servicing Activities*

**Article 36.** (1) A credit purchaser shall assign the performance of credit servicing activities to a credit servicer by concluding a credit servicing contract.

(2) The credit servicing contract shall be concluded in writing on paper or in electronic form, shall be formulated in a clear and understandable manner and shall be drawn up in two copies – one for each of the parties to the contract.

(3) The credit servicing contract shall contain:

1. a detailed description of the activities for credit managing and servicing, which are carried out by the credit servicer;
2. the remuneration amount of the credit servicer and, when it cannot be specified, the method used to calculate it;
3. the scope of the activities with respect to which the credit servicer represents the credit purchaser in its relations with the borrower;
4. an obligation for the parties to the contract to comply with the requirements of this Law, the guidelines of the European Banking Authority and the regulatory technical standards applicable to the collection of claims arising from non-performing loans, including with regard to consumer protection and the protection of personal data;
5. a clause requiring fair and ethical treatment of borrowers.

(4) The debt servicing contract shall contain a requirement for the credit servicer to notify the credit purchaser before outsourcing one or more credit servicing activities to a credit service provider pursuant to Article 16.

#### *Use of Credit Servicers or Other Entities*

**Article 37.** (1) The credit purchaser or, where applicable, his representative under Article 38, shall notify the Bulgarian National Bank of the name and address of the persons designated to carry out the activities under Article 6, paragraph 2 at the latest on the date on which such activities commence.

(2) In the event of a change in the circumstances under Article 1, the credit purchaser or his representative under Article 38 shall notify the Bulgarian National Bank of the change at the latest by the date of the changed circumstance, and shall indicate the name and address of the new entity designated to carry out the debt servicing activities under Article 6, paragraph 2.

(3) The Bulgarian National Bank shall immediately provide the competent authorities of the host Member State, the competent authorities of the Member State in which the credit was granted and the competent authorities of the home Member State of the new credit servicer with the information received in accordance with paragraphs 1 and 2.

#### *Representative of a Third-country Credit Purchaser*

**Article 38.** (1) A credit purchaser that is not established in the European Union, or whose registered office or central administration are not in the European Union, shall acquire claims on non-performing loans in the Republic of Bulgaria only through a representative authorized on the basis of a written contract.

(2) The representative under paragraph 1 shall be an entity established on the territory of the Republic of Bulgaria or on the territory of another Member State.

(3) The Bulgarian National Bank and the Consumer Protection Commission shall also communicate with the representative under paragraph 1 in connection with the performance of the obligations of the credit purchaser under this Law.

(4) The representative under paragraph 1 shall bear responsibility for compliance with the obligations of the credit purchaser under this Law.

(5) The requirement under Article 35, paragraph 8 shall not apply to a representative who is a credit institution or a credit servicer licensed under this Law.

#### *Transfer of Claims on Non-performing Loans by a Credit Purchaser*

**Article 39.** (1) By 30 June and by 31 December of the calendar year, credit purchasers or their representatives under Article 38 shall, when transferring claims on non-performing loans to another purchaser, provide the Bulgarian National Bank with the following information:

1. legal entity identification codes (LEICs) of the legal entity of the new credit purchaser and of its representative under Article 38, and where such a code is not assigned, the following shall be indicated:

a) data identifying the new credit purchaser and its representative under Article 38, of the persons who manage or represent them, as well as of the persons holding qualifying holdings in their capital within the meaning of Article 4, paragraph 1, item 36 of Regulation (EU) № 575/2013;

b) the address of the new credit purchaser and of its representative under Article 38;

2. the total amount of the transferred claims on non-performing loans;

3. the number and individual amount of the transferred claims on non-performing loans;

4. the existence of and types of collateral on them, where applicable.

(2) The information under paragraph 1, which concerns the activity of transferring claims on non-performing loans for the period up to 30 June and up to 31 December of the calendar year, shall be submitted by credit purchasers by the 20th day of the month following the specified periods.

(3) The Bulgarian National Bank may require credit purchasers to provide the information under paragraph 1 every three months, if necessary, including with the aim of better monitoring a large number of transferred claims on non-performing loans during extraordinary circumstances.

(4) The Bulgarian National Bank shall send the received information under paragraphs 1 and 2 to the competent authorities of the host country, as well as to the competent authorities of the home country of the new credit purchaser.

(5) The Bulgarian National Bank may require from the persons under paragraph 1 additional information regarding the transferred claims on non-performing loans.

(6) The Bulgarian National Bank shall collect and store information in connection with the transfer of claims on non-performing loans under paragraph 1 and Article 31, paragraph 5.

(7) The Bulgarian National Bank shall issue an ordinance for the implementation of this Chapter.

#### *Chapter Five*

### **PROFESSIONAL SECRECY**

#### *Professional Secrecy*

**Article 40.** (1) Professional secrecy shall be the information that the Bulgarian National Bank and the Consumer Protection Commission acquire or create for the purposes of the supervision and control exercised for compliance with the requirements of this Law.

(2) The members of the Governing Council of the Bulgarian National Bank and the Chairman and members of the Consumer Protection Commission, the employees, auditors and experts working for

the Bulgarian National Bank and in the Consumer Protection Commission shall be obliged to keep professional secrecy, including after termination of their relations with the Bulgarian National Bank and with the Consumer Protection Commission, respectively.

(3) The persons under paragraph 2 may use the information constituting professional secrecy only for the purposes and in the performance of their official duties. This information may not be disclosed or provided to other persons or bodies, except those specified in paragraph 5.

(4) The restrictions under paragraph 3 shall not apply, if the information is on an aggregated level or in a summarized form so that the persons to whom it relates cannot be identified.

(5) The persons under paragraph 2 may provide the information, which constitutes professional secret and was obtained in the performance of their official duties, to the following authorities for the performance of their functions or obligations:

1. the bodies of the Ministry of Interior and the judiciary – for the purposes of an initiated criminal proceedings;

2. the court – in cases of appeal against an administrative act or a penal decree of the Bulgarian National Bank or the Consumer Protection Commission, issued under the procedure of this law;

3. the State Agency for National Security – in the performance of its functions of preventing the use of the financial system for the purposes of money laundering and financing of terrorism, and to the extent that this is necessary for the performance of its other functions – under conditions and in accordance with the procedure determined by joint instructions.

(6) The bodies under paragraph 5 shall be obliged to use the information received only for the purposes for which it was provided to them and not to disseminate or give it to third parties, except in the performance of an obligation provided for by law.

(7) The Bulgarian National Bank and the Consumer Protection Commission may exchange or disclose information constituting professional secret between themselves and with other competent authorities in the cases provided for by this Law and in accordance with European Union law.

### *Chapter Six*

## **BORROWERS' COMPLAINTS**

### *Filing of Complaints*

**Article 41.** (1) Credit servicers shall be obliged to provide in their internal rules for the performance of their activities a procedure for the free submission and consideration of complaints from borrowers.

(2) Credit servicers shall provide in their business premises – in a visible place and on their website – clear and legible information on the procedure for filing and considering complaints.

(3) Credit servicers shall maintain information on the complaints received from borrowers and on the measures taken in response to the considered complaints.

(4) The Consumer Protection Commission shall publicly announce on its website a procedure for submitting and considering complaints by consumers against credit purchasers, their representatives under Article 38, against credit servicers and their credit service providers, ensuring their consideration within a reasonable time.

(5) The Bulgarian National Bank shall publicly announce on its website a procedure for submitting and considering complaints from borrowers, with the exception of the cases under paragraph 4, against credit purchasers, their representatives under Article 38, against credit servicers and their credit service providers, ensuring the complaints' consideration within a reasonable time.

*Chapter Seven***SUPERVISORY ROLE AND POWERS OF THE COMPETENT AUTHORITIES***Supervisory and Control Authorities*

**Article 42.** (1) The Bulgarian National Bank shall exercise supervision over the activities of credit servicers and their credit service providers for compliance with this Law and the acts implementing it, with the exception of the cases under paragraph 3.

(2) Credit purchasers, respectively representatives of credit purchasers from a third country, shall be subject to control by the Bulgarian National Bank for compliance with the requirements of Articles 17–20 and Articles 35–39, with the exception of the cases under paragraph 3.

(3) The Consumer Protection Commission shall exercise control over compliance with Articles 17–19, 24, 27, 28, Article 35, paragraph 4, Article 38, paragraph 3, Article 41, paragraphs 1–3 and the acts on their implementation regarding consumer protection, towards credit servicers, credit service providers, credit purchasers and their designated representatives under Article 38, where applicable.

(4) The powers under paragraphs 1 and 2 shall be exercised by the Deputy Governor heading the Banking Department, or by officials authorised by him with an order.

(5) The control under paragraph 3 shall be carried out by the Chairman of the Consumer Protection Commission or by officials authorised by him with an order.

(6) The Bulgarian National Bank, the Consumer Protection Commission and the officials authorised by them shall not be liable for damages in the exercise of supervisory and/or control powers, unless they have acted intentionally.

(7) When exercising supervisory and/or control powers under this Law, authorised officials shall be obliged to prevent the emergence of a conflict of interest in which their supervisory and/or control duties would be in conflict with their own interests.

(8) Processing of personal data under this Law shall be carried out under the terms and conditions of Regulation (EU) 2016/679, the Law on the Personal Data Protection and Regulation (EU) 2018/1725. The Commission on Personal Data Protection shall exercise control over compliance with the requirements of Article 17, paragraph 7, Article 18, paragraph 4, items 9–13, Article 20, paragraph 3, Article 31, paragraph 4, Article 33 and Article 35, paragraph 4.

(9) Persons under this Law shall comply with the applicable guidelines adopted by the European Banking Authority (EBA) for the implementation of Directive (EU) 2021/2167, where they are their addressees, and for which the relevant competent authority has taken a decision to implement them.

*Supervisory and Control Powers*

**Article 43.** (1) In exercising supervision and/or control, the Bulgarian National Bank and the Consumer Protection Commission shall collect and receive information necessary for:

1. fulfilling the requirements under this Law;
2. identifying violations under this Law;
3. imposing administrative penalties and implementing enforcement administrative and corrective measures;
4. ensuring the continuity of insurance coverage pursuant to Article 8, paragraph 12.

(2) The Bulgarian National Bank and the Consumer Protection Commission shall request, collect and receive information under paragraph 1 from:

1. credit servicers, their credit service providers, credit purchasers and their representatives under Article 38;
2. credit institutions;
3. persons suspected of operating as a credit servicer without a license;



4. state bodies, officials, administrative sources in the executive branch's administration, public sector organizations, statistical authorities and other organisations;

5. borrowers and other persons.

(3) With respect to the persons under paragraph 2, items 1–3, the Bulgarian National Bank and the Consumer Protection Commission shall have the right:

1. to free access by authorized employees to the office premises and information systems, including to their accounting and operational reporting;

2. to request documents and collect data and information in connection with the exercise of their powers within a 14-day period, unless another period is specified in the request;

3. to carry out, through authorized employees, on-site inspections of credit servicers, their branches and credit service providers.

(4) The Bulgarian National Bank shall assess the compliance of the requirements under Article 8, paragraph 11 by credit servicers using a risk-based approach, taking into account the opinion of the Consumer Protection Commission on compliance with the requirements of Article 8, paragraph 11, items 7 and 8 regarding the protection of consumer rights.

(5) The Bulgarian National Bank and the Consumer Protection Commission shall determine the scope of the assessment under paragraph 4, taking into account the size, nature, scale and complexity of the activity of the relevant credit servicer.

(6) The Bulgarian National Bank shall notify the competent authorities of the host Member State or of the Member State in which the credit was granted, when different from the Republic of Bulgaria and the host Member State, of the result of the assessment under paragraph 4, at the request of any of the listed competent authorities or at the discretion of the Bulgarian National Bank.

(7) The Bulgarian National Bank shall provide information on the administrative penalties imposed and the applied enforcement administrative and corrective measures to the competent authorities of the host Member State and, where applicable, to the Member State in which the credit was granted, when it is different from the Republic of Bulgaria and the host Member State.

(8) The Bulgarian National Bank shall exchange the information necessary for carrying out the assessment under paragraph 4 with the competent authorities of the host Member State and of the Member State in which the credit was granted, when it is different from the Republic of Bulgaria and the host Member State.

(9) The Bulgarian National Bank shall provide the information under paragraph 8 also in cases where the Republic of Bulgaria is a host Member State or a country in which the credit was granted.

(10) The Bulgarian National Bank and the Consumer Protection Commission shall have the right to require from the credit servicers, credit service providers, credit purchasers and representatives under Article 38 to take timely action to bring their activities into compliance with this Law and its implementing acts, in case violations have been found.

(11) The Bulgarian National Bank, the Consumer Protection Commission and the Personal Data Protection Commission may carry out joint inspections for compliance with the requirements of this Law.

(12) Bodies of the Ministry of Interior, the State Agency 'National Security', the Prosecutor's Office, as well as other state bodies and officials shall be obliged to provide, within the framework of their powers, assistance to the Bulgarian National Bank, the Consumer Protection Commission and their employees in the performance of their official duties and the exercise of their supervisory and control powers.

### *Supervisory Cooperation*

**Article 44.** (1) In exercising its supervisory powers, the Bulgarian National Bank shall cooperate with the competent authorities of:

1. the home Member State, when the credit servicer is licensed in the same Member State;
2. the host Member State, when a credit servicer licensed by the Bulgarian National Bank carries out activities on the territory of the host Member State;

3. the Member State in which the credit was granted, when different from items 1 and 2.

(2) The Bulgarian National Bank may exchange information necessary for the purposes of this Law and the related acts with the authorities under paragraph 1, as well as with other authorities of the Member States responsible for compliance with the legislation in the field of personal data protection.

(3) In exercising its supervisory powers, the Bulgarian National Bank shall cooperate with the national central banks, as well as with the European Banking Authority.

(4) When exchanging information with other competent authorities on matters related to the exercise of supervision under this Law, the Bulgarian National Bank may indicate when providing the information that this information will be disclosed only with its express consent and will be exchanged solely for the purposes for which the Bulgarian National Bank has given its consent.

#### *Supervisory Cooperation with a Competent Authority of a Third Country*

**Article 45.** In exercising its supervisory powers, the Bulgarian National Bank may conclude agreements with the respective competent supervisory authorities of credit servicers in third countries for cooperation and exchange of information on a reciprocal basis, subject to an obligation to maintain professional secrecy.

#### *Enforcement Administrative Measures*

**Article 46.** (1) In order to prevent and terminate violations of the provisions of this Law and the acts implementing it, and actions circumventing the acts' requirements, to prevent and eliminate the harmful consequences thereof, to present false and misleading data, the Governing Council of the Bulgarian National Bank, upon proposal of the Deputy Governor heading the Banking Department, may apply one or more of the following enforcement administrative measures, taking into account the nature and gravity of the violation by a credit servicer, credit service providers, a credit purchaser and their designated representatives under Article 38, where applicable:

1. to issue mandatory instructions to take specific measures within a period determined by the Deputy Governor;

2. to stop the use and distribution of documents that do not meet the requirements of this Law and the implementing acts;

3. to appoint at the expense of the credit servicer:

- a) a registered auditor;

- b) an external independent expert to carry out an assessment of the claims managed on non-performing loans;

- c) an external independent expert to carry out an assessment of compliance with the requirements under Article 8, paragraph 11 by the credit servicer, or of individual functions thereof;

4. to order in writing the dismissal of a member of the management or control body, or of one or more persons authorized to manage and represent the credit servicer;

5. to issue mandatory instructions for necessary changes in the rules and procedures under Article 8, paragraph 11, items 1–8, except when the changes relate to the protection of consumer rights;

6. to prohibit the conclusion of new contracts for debt servicing for a certain period;

7. to convene the general meeting of shareholders or to schedule a meeting of the management and supervisory board (board of directors) of a credit servicer to decide on the measures to be taken;

8. to temporarily prohibit the payment of dividends to a credit servicer;

9. to suspend the implementation of a decision or order of the management bodies of

the credit servicer that relates to the debt servicing activities, if it violates the requirements of this Law and the acts implementing it;

10. to impose a temporary ban on the performance of the functions of a member of the management or control body or of another person authorized to manage and/or represent the credit servicer;

11. to oblige the credit servicer to limit its operating expenses, including as a percentage of total net revenues, when the requirements of Article 8, paragraph 6 are violated or there is an imminent risk of their violation;

12. to oblige the credit servicer to terminate its contractual relations with a credit purchaser under Article 36, if they do not meet the requirements provided for in this Law or do not fulfill the obligations assigned to them by this Law or by the acts implementing it;

13. to prohibit or restrict the activity of the credit servicer in another country;

14. to restrict the activity of the credit servicer by prohibiting it from carrying out certain transactions, activities and/or operations;

15. to withdraw the license of a credit servicer to carry out debt servicing activities.

(2) The Consumer Protection Commission may apply the administrative measures provided for under paragraph 1, item 14 to credit servicers, and the measures under paragraph 1, items 1, 2 and 5 to credit servicers, credit service providers, credit purchasers and their designated representatives under Article 38, where applicable, so as to prevent and terminate violations of this Law and its implementing acts on consumer protection, as well as activities that circumvent legal requirements, to prevent and redress detrimental effects thereof and to present false and misleading data.

(3) The Bulgarian National Bank and the Consumer Protection Commission may inform the public about measures applied under paragraphs 1 and 2 or about activity that threatens the interests of borrowers and credit purchasers.

(4) The measures under paragraph 1 shall apply to credit servicers, their employees, persons in a management position in the credit servicer, or persons authorized to conclude contracts with credit purchasers or credit service providers. The measures under paragraph 1, item 1 may also be applied to persons who carry out activities without a license required under this Law.

(5) The act imposing a compulsory administrative measure shall determine an appropriate period for its implementation. Compulsory administrative measures shall be applied until the violations are eliminated.

(6) The measures under paragraph 1 shall also apply in cases of violation of Implementing Regulation (EU) 2023/2083.

(7) The procedure and manner of appointment of the persons under paragraph 1, item 3 and the requirements for them shall be determined by an ordinance of the Bulgarian National Bank.

### *Requirements for Determining the Measures*

**Article 47.** The measures taken by the Bulgarian National Bank and the Consumer Protection Commission under this Chapter must be proportionate to the gravity of the risk contained in the debt servicing activities on non-performing loans.

### *Right to Object*

**Article 48.** (1) Before applying the measure under Article 46, the Bulgarian National Bank, respectively the Consumer Protection Commission, shall provide the addressee of the measure with the opportunity to present his objections within five working days from the notification.

(2) The Bulgarian National Bank, respectively the Consumer Protection Commission, may not apply paragraph 1, when urgent application of a measure under Article 46 is necessary.

*Individual Administrative Acts*

**Article 49.** (1) Individual administrative acts under this Law shall be issued by the Governing Council of the Bulgarian National Bank upon a proposal by the Deputy Governor heading the Banking Department, and in the cases under Article 46, paragraph 2, by the Chairman of the Consumer Protection Commission.

(2) The administrative acts of the Bulgarian National Bank and the Consumer Protection Commission shall be motivated and shall be subject to immediate execution.

(3) Administrative acts under this Law shall be appealed under the procedure of the Administrative Procedure Code.

(4) Individual administrative acts under this Law shall be communicated to their addressees by being served on against signature or by e-mail or fax, if the party has indicated such, or by being served on with registered letter with return receipt. Service by registered letter with return receipt shall be made to the permanent address of the person, if he is a natural person, or to his registered office and management address, if he is a legal entity.

(5) When the administrative act is not served in one of the ways specified in paragraph 4, it shall be deemed to have been served by placing it in a publicly accessible place in the building of the Bulgarian National Bank or of the Consumer Protection Commission. The latter circumstance shall be certified by a protocol drawn up by officials appointed by an order of the Deputy Governor heading the Banking Department, or appointed by order of the Chairman of the Consumer Protection Commission.

(6) When applying enforced administrative measures by the Bulgarian National Bank, Article 26 of the Administrative Procedure Code shall not apply.

## Chapter Eight

### ADMINISTRATIVE CRIMINAL LIABILITY

*Liability for Violations*

**Article 50.** (1) Whoever commits or allows the commission of a violation of this Law, the acts on its implementation and the acts implementing Directive (EU) 2021/2167, except for the cases under Articles 51–56, if the act does not constitute a crime, shall be punished by a fine in the amount of BGN 2,000 to BGN 10,000, and in the case of a repeated violation – from BGN 10,000 to BGN 20,000.

(2) If the offender under paragraph 1 is a legal entity, a pecuniary sanction shall be imposed in the amount from BGN 20,000 to BGN 40,000, and in the event of a repeated violation – from BGN 40,000 to BGN 60,000.

*Liability for Carrying Out Activities without a License*

**Article 51.** Whoever carries out or allows the carrying out of credit servicing activities under this Law without a license shall be fined from BGN 10,000 to BGN 20,000 for natural persons, and in the event of a repeated violation – from BGN 20,000 to BGN 40,000. If the offender is a sole proprietor or a legal entity, a pecuniary sanction shall be imposed in the amount from BGN 200,000 to the greater amount between BGN 5,000,000 and 5 percent of the total annual turnover of the entity according to its last annual financial report approved by its management body, and in case of a repeated violation – a pecuniary sanction from BGN 400,000 to the greater amount between BGN 5,000,000 and 5 percent of the total annual turnover of the person according to its last annual financial report approved by its management body.

*Liability for Credit Servicers' Violations*

**Article 52.** (1) A credit servicer that concludes contracts for outsourcing activities in violation of the requirements of Article 16, paragraph 3 shall be subject to a pecuniary sanction in the amount from BGN 10,000 to BGN 20,000, and in case of a repeated violation – from BGN 20,000 to BGN 40,000.

(2) On a credit servicer that commits a violation of Article 16, paragraphs 4–7 or Article 20, for each established violation a pecuniary sanction shall be imposed in the amount from BGN 5,000 to BGN 10,000, and in the event of a repeated violation – from BGN 10,000 to BGN 20,000.

(3) On a credit servicer that does not apply an appropriate policy in accordance with the requirement of Article 8, paragraph 11, item 7, ensuring compliance with the rules for protection, fair and ethical treatment of borrowers who are not consumers, shall be imposed a pecuniary sanction in the amount from BGN 20,000 to BGN 40,000, and in the event of a repeated violation – from BGN 40,000 to BGN 80,000.

(4) On a credit servicer that does not maintain internal procedures for registering and considering complaints from borrowers who are not consumers, according to Article 8, paragraph 11, item 8 or commits a violation of Article 41, paragraphs 1–3 in relation to borrowers who are not consumers, a pecuniary sanction in the amount of BGN 20,000 to BGN 40,000 shall be imposed, and in the case of a repeated violation – from BGN 40,000 to BGN 80,000.

(5) On a credit servicer that commits a violation of the requirements under Article 8, paragraph 15 or the requirements under Article 12, a pecuniary sanction shall be imposed in the amount from BGN 20,000 to BGN 40,000, and in the event of a repeated violation – from BGN 40,000 to BGN 80,000.

(6) On a credit servicer that commits a violation of the requirements under Article 17 in relation to a borrower that is not a consumer, a pecuniary sanction shall be imposed in the amount from BGN 20,000 to BGN 40,000, and in the event of a repeated violation – from BGN 40,000 to BGN 80,000.

(7) On a credit servicer that commits a violation of the requirements under Article 36, a pecuniary sanction shall be imposed in the amount from BGN 20,000 to BGN 40,000, and in the event of a repeated violation – from BGN 40,000 to BGN 80,000.

(8) On a credit servicer that violates the requirements under Article 8, paragraph 8 and paragraph 11, items 3 – 6, a pecuniary sanction shall be imposed in the amount of BGN 40,000 to BGN 60,000, and in the event of a repeated violation – from BGN 80,000 to BGN 120,000.

(9) On a credit servicer that violates the requirements under Article 13, a pecuniary sanction shall be imposed in the amount from BGN 50,000 to BGN 100,000, and in the event of a repeated violation – from BGN 100,000 to BGN 200,000.

(10) On a credit servicer operating in a host Member State that receives and holds funds from borrowers when this is not permitted in the host State, a pecuniary sanction shall be imposed in the amount from BGN 50,000 to BGN 100,000, and in the event of a repeated violation – from BGN 100,000 to BGN 200,000.

(11) On a credit servicer that fails to comply with a compulsory administrative measure imposed by the Bulgarian National Bank, a pecuniary sanction shall be imposed in the amount from BGN 50,000 to BGN 100,000, and in the event of a repeated violation – from BGN 100,000 to BGN 200,000.

(12) On a credit servicer that commits a violation of Article 18, in cases where the former is determined by a credit purchaser to engage in debt servicing activities on non-performing loans, where the borrowers are not consumers, a pecuniary sanction shall be imposed in the amount from BGN 4000 to BGN 20,000, and in the event of a repeated violation – from BGN 8000 to BGN 40,000.

(13) On a credit servicer that commits a violation of Articles 37 and 39, a pecuniary sanction shall be imposed in the amount from BGN 20,000 to BGN 50,000, and in the event of a repeated violation – from BGN 40,000 to BGN 100,000.



(14) The provisions of paragraphs 1–11 shall also apply when a credit servicer licensed in the Republic of Bulgaria carries out credit servicing activities on the territory of a host Member State.

### *Liability for Credit Purchasers' Violations*

**Article 53.** (1) On a credit purchaser and/or its representative under Article 38, when it commits a violation of Article 17 and the borrowers are not consumers, a fine shall be imposed in the amount from BGN 5000 to BGN 20,000, respectively a pecuniary sanction in the amount of BGN 20,000 to BGN 50,000. In the event of a repeated violation, a fine in the amount of BGN 10,000 to BGN 40,000, respectively a pecuniary sanction in the amount of BGN 40,000 to BGN 100,000 shall be imposed.

(2) On a credit purchaser and/or its representative under Article 38, when it commits a violation of Articles 36–39, a fine of BGN 5000 to BGN 20,000 shall be imposed, respectively a pecuniary penalty of BGN 20,000 to BGN 50,000. In the event of a repeated violation, a fine of BGN 10,000 to BGN 40,000 shall be imposed, respectively a pecuniary penalty of BGN 40,000 to BGN 100,000.

(3) On a credit purchaser that carries out activities under Article 6, paragraph 2 without concluding a debt servicing contract with a credit institution or a credit servicer, with respect to contracts concluded with consumers, with the exception of the cases under Article 35, paragraph 2, a fine shall be imposed from BGN 50,000 to the greater amount between BGN 200,000 and 10 percent of the value of claims on the contracts, respectively a pecuniary sanction in the amount from BGN 200,000 to the greater amount between BGN 800,000 or 20 percent of the value of claims on the contracts, to which the violation pertains. In the event of a repeated violation, a fine shall be imposed in the amount from BGN 100,000 to the greater amount between BGN 200,000 and 10 percent of the claims' value under the contracts to which the violation pertains, respectively, a pecuniary sanction in the amount from BGN 400,000 to the greater amount between BGN 800,000 or 20 percent of the value of claims, to which the violation pertains.

(4) On a representative under Article 38 that carries out activities under Article 6, paragraph 2, without concluding a contract for debt servicing with a credit institution or a credit servicer, in relation to contracts concluded with consumers, or with persons exercising liberal professions, or with micro, small and medium-sized enterprises, within the meaning of Article 2 of the Annex to Recommendation 2003/361/EC, with the exception of the cases under Article 38, paragraph 5, a fine of BGN 50,000 shall be imposed up to the greater amount between BGN 200,000 and 10 percent of the value of claims on the contracts, respectively a pecuniary sanction of BGN 200,000 to the greater amount between BGN 800,000 and 20 percent of the value of the claims on the contracts, to which the violation pertains. In the event of a repeated violation, a fine of BGN 100,000 shall be imposed up to the greater amount between BGN 200,000 and 10 percent of the value of the claims on contracts, to which the violation pertains, respectively a pecuniary sanction in the amount of BGN 400,000 up to the greater amount between BGN 800,000 or 20 percent of the value of the claims on the contracts, to which the violation pertains.

### *Pecuniary Sanctions for Credit Institutions*

**Article 54.** (1) A pecuniary sanction in the amount from BGN 4000 to BGN 20,000 shall be imposed on a credit institution where:

1. it commits a violation of Article 18 and is appointed by a credit purchaser to carry out activities for debt servicing under non-performing loans, where borrowers are not consumers;
2. it fails to provide the credit purchaser with the necessary information regarding the transferred claims, including the existence and types of collateral pursuant to Article 31, paragraphs 2–4;

3. fails to provide information to the Bulgarian National Bank in accordance with the requirements of Article 31, paragraphs 5–7.

(2) In the event of a repeated violation under paragraph 1, the credit institution shall be subject to a pecuniary sanction in the amount from BGN 8000 to BGN 40,000.

(3) A credit institution that has committed a violation of Articles 37 and 39 shall be subject to a pecuniary sanction in the amount of BGN 20,000 to BGN 50,000, and in the event of a repeated violation – from BGN 40,000 to BGN 100,000.

#### *Liability for Credit Service Providers' Violations*

**Article 55.** A credit service provider appointed to carry out debt servicing activities, that commits a systematic violation of the requirements of this Law or the acts implementing it, shall be fined in the amount from BGN 2000 to BGN 10,000, and where the offender is a legal entity, a pecuniary sanction in the amount from BGN 5000 to BGN 20,000 shall be imposed.

#### *Fines and Pecuniary Sanctions for Violations of Consumer Protection Rules*

**Article 56.** (1) A pecuniary sanction shall be imposed on a credit servicer when:

1. it does not implement a policy in accordance with the requirement of Article 8, paragraph 11, item 7 ensuring compliance with the rules for protection, a fair and ethical treatment of consumers, in the amount from BGN 20,000 to BGN 40,000;

2. it does not maintain internal procedures for registering and reviewing complaints from consumers in accordance with Article 8, paragraph 11, item 8 in the amount of BGN 20,000 to BGN 40,000.

(2) A credit servicer, credit purchaser, representative in the cases of Article 38, credit service provider and credit institutions that violates the consumer protection requirements of Articles 17–19, 24, 27, 28, Article 35, paragraph 4, Article 38, paragraph 3 and Article 41, paragraphs 1–3 shall be subject to a fine of BGN 2000 to BGN 10,000, respectively a pecuniary sanction from BGN 5000 to BGN 20,000.

#### *Guiding Principles in Determining Sanctions*

**Article 57.** (1) When exercising their authority to impose sanctions and fines, the Bulgarian National Bank and the Consumer Protection Commission shall be guided by the principles of effectiveness and proportionality, taking into account the seriousness of the violations in order to achieve a deterrent effect.

(2) When determining the type and amount of administrative penalties, as well as for assessing the principle of proportionality, the following shall be taken into account:

1. the gravity and duration of the violation;

2. to what extent the person who committed a violation under this Law and its implementing acts is responsible for the violation;

3. the financial situation of the person who committed a violation under this Law and its implementing acts, including the annual turnover, if the offender is a legal entity, or the annual income, if the offender is a natural person;

4. the amount of the favourable financial result achieved by the person who committed a violation under this Law and its implementing acts, to the extent that this result can be determined;

5. losses suffered by third parties as a result of the violation, to the extent that they can be determined;

6. the extent to which the person responsible for the violation cooperates with the competent authorities;

7. previous violations of the person under this Law and its implementing acts;

8. the actual or potential systemic consequences of the violation;
9. other circumstances concerning the person who committed the violation under this Law and the acts implementing it, which may be grounds for increasing or reducing the sanction.

### *Issuance and Appeal of Penal Decrees*

**Article 58.** (1) The acts establishing violations under Articles 50–55 shall be drawn up by persons authorised by the Deputy Governor of the Bulgarian National Bank heading the Banking Department, and the penal decrees shall be issued by the Deputy Governor of the Bulgarian National Bank heading the Banking Department or by officials authorised by him.

(2) The acts establishing violations under Article 56 shall be drawn up by persons authorised by the Chairman of the Consumer Protection Commission, and the penal decrees shall be issued by the Chairman of the Consumer Protection Commission or by officials authorised by him.

(3) The acts establishing violations under paragraphs 1 and 2 shall be drawn up within 6 months from the day on which the offender is discovered, but not later than 5 years from the commission of the violation.

(4) The drawing up of the acts, the issuance, the appeal and the execution of the penal decrees shall be carried out in accordance with the procedure of the Law on Administrative Violations and Penalties.

### *Interest on Default*

**Article 59.** A person who, within one month from the entry into force of a penal decree, fails to pay the pecuniary sanction imposed on it, shall owe interest in the amount of the legal interest for the period from the date following the date of expiry of the one-month period until the date of payment.

## **ADDITIONAL PROVISIONS**

§ 1. Within the meaning of this Law:

1. ‘Credit service provider’ shall be a third party to whom a credit servicer has assigned the performance of one or more of the debt servicing activities.

2. ‘Positions with management functions’ shall be:

a) members of the management, executive or control body of a legal entity specified in a law, statute or other organisational act;

b) procurators;

c) positions which, according to the internal structure of an institution or other entity, include the performance of management and control functions of structural units directly related to the implementation of the main activity and functions of the institution or to the main subject of activity of the company or person.

3. ‘Credit agreement’ shall be an agreement as originally issued, modified or replaced, whereby a credit institution grants a credit in the form of a deferred payment, a loan or other similar financial accommodation;

4. ‘Debt servicing agreement’ shall be a written contract concluded between a credit purchaser and a credit servicer regarding the activities that the credit servicer will perform on behalf of the credit purchaser.

5. ‘Member State’ shall be a Member State of the European Union or another State party to the Agreement on the European Economic Area.

6. ‘Home Member State’ shall be:

a) with respect to a credit servicer – the Member State in which its registered office and management

address are located, and where, if under its national law it has no registered office, the Member State in which its head office is located;

b) with respect to a credit purchaser – the Member State in which the permanent address of the credit purchaser or its representative is located, when they are natural persons, or the Member State in which the registered office and management address of the credit purchaser or its representative are located, when they are legal entities.

7. 'Corrective measures' shall be instructions and guidelines regarding the activities of a person servicing loans.

8. 'Credit institution' shall be an institution within the meaning of Article 4, paragraph 1, item 1 of Regulation (EU) № 575/2013.

9. 'Borrower' shall be a natural or legal person who has concluded a credit agreement with a credit institution, including its legal successor or assignee.

10. 'Creditor' shall be a credit institution that has issued a credit, or a credit purchaser.

11. 'Minor case' shall be a minor case within the meaning of the Administrative Violations and Penalties Law.

12. 'Non-performing loan' shall be a loan agreement that is classified as a non-performing exposure in accordance with Article 47a of Regulation (EU) № 575/2013.

13. 'Repeated violation' shall be a violation committed within one year of the entry into force of the penal decree imposing a penalty for the same type of violation.

14. 'Consumer' shall be a natural person who, in credit agreements falling within the scope of this Law, acts outside the scope of his trade, business or profession.

15. 'Host Member State' shall be a Member State, other than the home Member State, in which the credit servicer has established a branch or provides debt servicing activities, and in which the borrower has his usual residence, or in which his registered office is located, or, if he does not have a registered office under its national law, the Member State in which its central administration is located.

16. 'Systemic violations' shall be three or more administrative violations of this Law and/or of the acts implementing it, committed over a period of one year, or three or more administrative violations of the same type, committed over a period of three consecutive years.

§ 2. The Law shall:

1. implement the requirements of Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit purchasers, and amending Directives 2008/48/EC and 2014/17/EU (OJ, L 438, 8.12.2021, p. 1);

2. lay down measures for the implementation of Commission Implementing Regulation (EU) 2023/2083 of 26 September 2023 laying down implementing technical standards for the application of Article 16, paragraph 1 of Directive (EU) 2021/2167 of the European Parliament and of the Council with regard to the templates to be used by credit institutions for the provision to buyers of information on their credit exposures in the banking book (OJ, L 241, 29.09.2023, p. 23).

§ 3. In cases where the persons managing alternative investment funds, including alternative investment funds, the management of which is not assigned to a person other than them within the meaning of the Law on the Operation of the Collective Investment Schemes and of Other Undertakings for Collective Investment, as well as a special investment purpose company and a securitization company within the meaning of the Law on Special Investment Purpose Companies and on Securitization Companies, acquire claims on non-performing loans provided by a credit institution within the scope of their trade, the provisions of this Law shall apply to them.

## TRANSITIONAL AND CONCLUDING PROVISIONS

§ 4. (1) Within 6 months from the entry into force of this Law, persons carrying out one or more of

the activities under Article 6, paragraph 2, may continue to carry out their activities without a license, and within the same period they shall submit an application for the issuance of a license under Article 9.

(2) Within 6 months of the entry into force of this Law, persons who, prior to its entry into force, purchase non-performing loans shall bring their activities with respect to all claims falling within the scope of this Law in compliance with it and the acts implementing it, and shall submit to the Bulgarian National Bank information on the acquired, respectively, transferred, claims on non-performing loans and on the contracts concluded with credit servicers.

(3) Within 6 months of the entry into force of this Law, persons who carry out one or more of the activities referred to in Article 6, paragraph 2 included in the information system under Article 56, paragraph 1 of the Credit Institutions Law on the basis of Article 3a of the same Law and who have submitted an application for a license under Article 9, shall submit and receive information from the system until the issuance of a license or refusal under Article 11.

(4) Within 6 months of the entry into force of this Law, credit institutions shall bring their activities in line with it and with the acts implementing it, and shall submit to the Bulgarian National Bank information on the transferred claims on non-performing loans.

(5) Within 6 months of the entry into force of this Law, credit purchasers under paragraph 2 shall submit an application and documents in accordance with the ordinance under Article 56, paragraph 4 of the Law on Credit Institutions so as to be included in the information system under Article 56, paragraph 1 of the same Law.

§ 5. (1) Special investment purpose companies investing in claims on non-performing loans provided by a credit institution may continue to engage in activities of servicing the acquired claims within six months of the entry into force of this Law.

(2) § 4, paragraph 2 shall apply accordingly to the companies under paragraph 1.

§ 6. The Governing Council of the Bulgarian National Bank shall adopt the regulations for the implementation of this Law within 5 months of its entry into force.

§ 7. The data templates under Article 34, paragraph 1 shall be used for transactions related to credits granted on or after July 1st, 2018, which have been classified as non-performing after December 28th, 2021. For credits granted between July 1st, 2018, and the date of entry into force of this Law, credit institutions shall fill in the data template with the information at their disposal.

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§ 17. The Law shall enter into force on the day of its publication in the Darjaven Vestnik, with the exception of § 10 which shall enter into force on the date specified in the Decision of the Council of the European Union on the adoption by the Republic of Bulgaria of the euro, in line with Article 140(2) of the Treaty on the Functioning of the European Union and a Regulation of the Council of the European Union, adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union.