

MARKET PROFILE BULGARIA

2025

DSK BANK

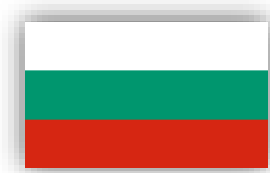
Global Securities Services



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BULGARIA



MARKET INFORMATION

Key figures

Local currency	Bulgarian Lev (BGN)
Market GDP (2024)	EUR 100.12 bn
Market capitalisation (Dec 2024)	EUR 8.93 bn
Number of listed companies (Dec 2024)	395
Stock Exchange turnover (2024)	EUR 498 mio
EU membership	Yes
Euro zone	No

Local Time

In wintertime	GMT+2
In summertime	GMT+3
Daylight Saving Time	same time as in EU countries

Credit Ratings

Agency	Rating	Outlook	Date
S&P	BBB	Positive	May 24 2024
Moody's	Baa1	Stable	Jan 24 2025
Fitch	BBB	Positive	Oct 18 2024

MARKET PARTICIPANTS

Market Regulator - Bulgarian National Bank

The Bulgarian National Bank (BNB) is the central Bank of Bulgaria. It is responsible for maintaining the stability of the Bulgarian currency, strengthening and developing the banking and credit system in the country. Since January 1, 2007 the bank is a full member of the European System of Central Banks and actively participates in the decision - making process in the area of banking and finance in the European Union.

The BNB maintains the stability of the national currency by means of ensuring:

- full coverage of the Bank's monetary obligations with highly liquid assets;
- unrestricted exchange between the Bulgarian Lev and the reserve currency (EUR) in the country at a fixed official exchange rate;
- the issuance of banknotes and coins in the country.

The BNB regulates and controls the banking system to safeguard depositors' interests by:

- strict and effective banking supervision;
- functioning as lender of last resort in the cases provided for by law;
- support for the normal functioning and development of financial markets.

Internet website: <https://www.bnb.bg/index.htm>

Financial Supervision Commission

The Financial Supervision Commission (FSC) is a governmental body for regulation and supervision over different segments of the financial system – capital markets, insurance market, health insurance market and pension insurance market. The primary mission of the institution is to assist through legal, administrative and informational means for the maintenance of stability and transparency on the non-banking financial sector, and to ensure the protection of the consumers of financial services and products.

The unified financial supervision over the supervised entities' activity monitors compliance with the legal requirements, the companies' financial status and the reliability of information that they provide.

FSC is an active member of the International Organization of Securities Commissions - IOSCO. The Financial Supervision Commission is also a member of the International Association of Insurance Supervisors – IAIS, and a member-founder of the International Organization of Pension Supervisors – IOPS.

Internet website: <https://www.fsc.bg/en>

Bulgarian Stock Exchange-Sofia

The Bulgarian Stock Exchange-Sofia (BSE-Sofia) is a public company that was officially licensed by the State Securities and Exchange Commission to operate as a stock exchange on October 9, 1997 and is currently the only functioning stock exchange in Bulgaria.

BSE's core business includes:

- operation of a cash market (equity market, bond market and other financial instruments);
- operation and maintenance of information systems for trading in securities;
- establishment and maintenance of a clearing system guaranteeing the obligations assumed under securities transactions executed on the Exchange.

BSE has a statute of a full member of the Federation of European Securities Exchanges (FESE).

Internet website: <https://www.bse-sofia.bg/en/#>

The Central Depository AD

The Central Depository AD provides settlement of corporate securities in book-entry form. The Central Depository AD (CDAD) was established as a joint-stock company on the 13th of August 1997. CDAD shareholders are the major Bulgarian commercial banks that play an active role in the securities market. FSC Financial Supervision Commission, BNB and MF directly control CDAD's operations.

Internet website: <https://www.csd-bg.bg/index.xhtml>

TRADING AND SETTLEMENT

Trading environment

The Bulgarian Stock Exchange-Sofia is reachable via a XETRA link (T7[®] electronic trading platform), operated by Deutsche Boerse for both the trading on the regulated market and the beam market.

BSE's regulated market consists of two markets - BSE Main Market and BaSE Alternative Market. These markets are segmented according to qualitative and quantitative criteria regarding the issuers and their emissions of financial instruments, incl. the financial instruments type, specific requirements regarding the issuer's shareholder structure, their financial results, liquidity and information disclosure requirements.

In addition to the regulated market, BSE organizes as a multilateral trading facility the SME growth market BEAM, which enables the financing of small and medium companies in Bulgaria.

T7[®] market model includes the following trading forms for on-exchange trading: auction and continuous trading. In addition, Xetra provides IPO functionality. Deals are settled by the Central Depository.

BSE Trading Hours

The duration of the trading sessions for the issues traded in continuous trading is as follows:

09:30 - 10:00 Pre-trading

10:00 - 10:10 Opening auction

10:10 - 16:55 Continuous trading

16:55 - 17:00 Closing auction

17:00 - 17:30 Post-trading

Settlement cycle on the BSE is T+2 for all types of securities.

OTC Market

OTC deals are agreed on a bilateral basis while settlement details - incl. settlement cycle - are based on the agreement between the contracting parties. OTC deals also have to go through an investment intermediary. The parties also agree on the manner of settling financial obligations and the type of settlement – DVP or DFP.

Payment Systems

The central bank is responsible for organizing, supporting and developing the domestic payment systems, by assisting the establishment and operation of effective payment systems and overseeing them.

BNB is operating the following payment systems:

- [BISERA6](#) - a system for servicing interbank client payments in national currency initiated for settlement at a designated time.
- [BISERA](#) - a system for servicing interbank client payments in euro initiated for settlement at a designated time.
- [RINGS](#) (Real-time INterbank Gross-settlement System) – a real time gross settlement system, performing irrevocable and unconditional settlement of all payments in the national currency on the territory of Bulgaria.

BNB established Bank Organisation for Payments Initiated by Cards (BORICA), a company for servicing card payments.

Settlement

All transactions in securities, admitted to trading on the Bulgarian Stock Exchange, are settled on a DVP basis via the computerised book-entry system of the Central Depository. Settlement cycle is T+2 and is one and the same for both domestic and non-domestic investors.

Settlement instructions are sent as standard SWIFT messages. They are checked for consistency and response is sent back. Once a settlement instruction is received from the seller and the balance of the underlying securities account is sufficient, then the corresponding amount of instruments is blocked for settlement purposes.

Until 5:00 pm on T+1 corrections of already sent instructions are allowed.

On T+2 two settlement batches are being run. The first one starts at 11:30 am and covers all transactions with matching settlement instructions received until that point. The second is at 3:15 pm and covers the instructions that were matched after the first batch. Once the CD receives a confirmation for successful cash settlement from the RTGS platform, then it initiates securities settlement.

After successful settlement (cash and securities) both counterparties are notified via SWIFT.

Within the 2-day period after the transaction was made, the securities ownership will be transferred and the payment will be finally completed. The execution priority for processing the transfer orders is as follows:

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- Stock Exchange trades always before OTC market transactions
 - trades on behalf of the investment intermediaries' clients always before trades on behalf of the investment intermediaries themselves.

This is in conformity with the already accepted gross standard for payments in Bulgaria, and is the only way to reduce the risk inherent in the payment process since a determined risk management system in Bulgaria still does not exist. The settlement cycle is the same for stock exchange and OTC market trades. It is possible on the OTC market when indicated by the selling party to process a delivery-free-of-payment (DFP) transaction, i.e. securities delivery only outside of the payment system.

Settlement of government bonds, executed between primary dealers, is settled by the Government Bonds Depository which is operated by BNB.

Guarantee Fund

The Guarantee Settlement Fund (GSF) is a pool of funds from members of the Stock Exchange and CD AD (the Members), which has been established with the sole purpose to guarantee the settlement liabilities of the members, regarding transactions concluded on the Stock Exchange and reported by the Stock Exchange to CD AD. The Fund is not used to guarantee any other liabilities of the members. GSF is a separate fund within and under the supervision of the Stock Exchange and CD AD.

A Governance Committee of the fund determines a formula for the calculation of the member contribution as well as its form which can be cash, short term government bonds or an irrevocable, transferable and unconditional bank's guarantee.

GSF can only be used to cover settlement liabilities of the Members under those transactions on the Stock Exchange, for which net-base settlement has been agreed upon. GSF activating shall take place by decision of the Committee. GSF shall cover the unpaid net cash liabilities of the clearing member on the next business day after the last settlement day allowed.

MARKET INSTRUMENTS

The Bulgarian stock market is open to both foreign and local investors. All BSE listed equity shares and bonds are dematerialized and kept in the Central Depository.

Type of instruments

- Government & Municipal bonds
- Corporate bonds
- Equities
- Other instruments – funds, compensatory instruments

Securities Identification

ISIN is the standard code for identification of securities in Bulgaria. It is issued by the Central Depository which is a member of ANNA (Association of National Numbering Agencies).

ANTI-MONEY LAUNDERING REQUIREMENTS

As an EU member state, Bulgaria has implemented the EU AML directives (incl.2015/849) and is fully compliant on the prevention of the use of the financial system for the purposes of money laundering or terrorism financing.

The Act on the Prevention and Combating of Money Laundering and Terrorist Financing contains the detailed rules of the “Know Your Customer” procedures. Prior to establishing a business relationship, service providers shall apply due diligence measures for identifying the customer, the customer’s agent, proxy or other authorized representative and verifying their identity.

Counter - Terrorism Financing Measures

In line with the provisions of Act LII of 2017 on the implementation of the financial and asset restrictive measures imposed by the European Union and the UN Security Council, as well as the requirements of the EU, UN and OFAC, all clients, transactions and SWIFT messages are subject of embargo screening against the applicable lists.

Measures against terrorist financing under the Law on Measures Against the Financing of Terrorism (LMFT) are:

- blocking of financial resources and other financial assets or economic resources;
- prohibition for provision of financial services, financial means and other financial assets or economic resources.

DISCLOSURE REQUIREMENTS FOR INVESTORS

Foreign investors are free to invest on the Bulgarian market and are treated equally as the local investors and the same market entry and investment regulations apply for them.

Investors (i.e. shareholders or the holder of the voting right attached to the shares) must disclose to the issuing company, the Financial Supervision Commission (FSC) and the BSE-Sofia both the direct (shares) and indirect holdings (voting rights) in a public company immediately but within four calendar days of the acquisition of the shares.

Disclosure thresholds:

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- reaching or exceeding 5%
 - every additional multiple of 5%
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The obligation for notification also applies if an investor's holding in the company is reduced by falling below the same percentages.

If an investor's ownership reaches or exceeds 33%, 50%, 66% or more than 90% of the issued shares in a company, the investor is required to make a public tender offer to buy the remaining voting shares.

Shareholder Rights Directive II (SRD II)

SRD II has been transposed into Bulgarian law in 2020.

TAXATION

Withholding Tax

Interest and dividend payments to all private individual shareholders are subject to 10% and 5% withholding tax, respectively.

Interest income, earned on fixed income securities, issued by a company, the state, a municipality, traded on the BSE – Sofia, is tax exempt.

The standard tax rates applied for Bulgarian instruments are:

Interest income	
- Legal entities	10% withholding tax over interest payments.
- Private Individual	10% withholding tax over interest payments.
Dividend income	
- Legal entities	not subject to withholding tax over dividend payments, except for legal entities outside EU for which 5% withholding tax is applied
- Private Individual	5% withholding tax over dividend payments
Capital Gains	
- Legal entities	not subject to a capital gains tax when the purchase and sale transactions is on a regulated market
- Private Individual	not subject to a capital gains tax when the purchase and sale transactions is on a regulated market
Stamp Duty	no

GLOSSARY OF ABBREVIATIONS

AML	Anti-Money Laundering
ANNA	Association of National Numbering Agencies
BSE-Sofia	Bulgarian Stock Exchange - Sofia
CD	Central Depository AD
OTC	Over-the-counter
SRD II	Shareholder Rights Directive II

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