

ORDINANCE No 29 OF 12 JULY 2006 ON THE MINIMUM LEVEL OF CREDIT RATINGS OF BANKS AND ON THE DEFINITION OF THE COUNTRIES, REGULATED MARKETS AND SECURITIES REGULATED MARKET INDEXES UNDER ART. 176, PARA 2 OF THE SOCIAL SECURITY CODE

Issued by the Financial Supervision Commission

Promulgated, SG, issue 62 of 1 August 2006, amended, SG, issue 3 of 11 January 2008, **amended – SG, issue 98 of 11 December 2009**

Art. 1. (amended – SG, issue 98, of 2009) This Ordinance shall set out:

1. the minimum level of credit ratings of banks under art. 176, para 1, items 5 and 15 of the Social Security Code (SSC) and the rating agencies awarding such credit ratings;
2. the countries under art. 176, para 1, item 11, point "b", items 14 and 15 of SSC;
3. the indexes where shares under art. 176, para 1, item 12, point "c" of SSC shall be included;
4. the countries, the regulated markets where the securities under art. 176, para 1, item 13 of SSC shall be traded, as well as the indexes at these markets, where shares under art. 176, para 1, item 13, point "c" of SSC shall be included included.

Art. 2. (amended, SG, issue 3 of 2008) (1) (amended – SG, issue 98 of 2009) The minimum levels of credit ratings of banks under art. 176, para 1, items 5 and 15 of SSC, where funds of an additional pension insurance fund may be invested in a bank deposit, shall be as follows:

1. the long-term credit ratings - "Ba2", awarded by Moody's Investors Service, "BB" awarded by Standard & Poor's, or "BB", awarded by Fitch Ratings;
2. the long-term credit ratings awarded by other rating agencies (agencies), included in the list under para 3, provided:

- a) the ratings shall correspond to the long-term credit rating "Baa3", awarded by Moody's Investors Service, "BBB-" awarded by Standard & Poor's, or "BBB-", awarded by Fitch Ratings;
- b) the correspondence under point "a" shall be evidenced by means of analysis submitted to the Financial Supervision Commission (the Commission). This analysis shall be drawn up through the use of quantitative and qualitative criteria, indicators and statistic benchmarking techniques;
- c) the methodology used for the credit ratings shall comply with the requirements of art. 109, para 2 of Ordinance No 35 on the capital adequacy and the liquidity of investment intermediaries;
- d) the persons controlling the agencies shall be explicitly established, the agencies shall have clear organisational structure and shall have sufficient staff available, possessing the required qualifications and professional experience;
- e) the agencies shall have carried out activities on awarding credit ratings for at least three years and shall have awarded and published at least ten requested and paid-for credit ratings, of which at least three – to lending institutions;
- f) the agencies shall apply clear internal administrative procedures on awarding credit ratings;
- g) (amended – SG, issue 98 of 2009) the agencies shall have committed in writing to provide to the Commission information about any significant change in the methodology used for awarding credit ratings, as well as the relations with the assessed bank under art. 176, para 1, items 5 and 15 of SSC, which may impact the objectivity of the assessment.

(2) The respective agency shall notify the Commission within 14 days thereof in case of any change of the documents or circumstances based on which the awarding has been made, and shall provide to the Commission the respective documents.

(3) The Commission shall announce and update a list of the recognised minimum levels of long-term credit rating under para 1, item 2 and the agencies awarding such credit ratings.

(4) In case of change in the circumstances resulting in a non-compliance with the requirements of para 1, the Commission shall exclude the respective credit rating and the agency awarding it from the list under para 3.

(5) (amended – SG, issue 98 of 2009) When the credit rating of a bank under art. 176, para 1, items 5 and 15 of the SSC, where the pension insurance company has invested the funds of a fund managed by it, shall cease to meet the requirements of para 1, the pension insurance company shall be obliged:

1. to notify the deputy chairperson of the Financial Supervision Commission, head of Social Security Supervision Division, thereof within 14 days as of the date of the change;
2. to bring the investments of the pension fund into bank deposits in line with the requirement of para 1 within a term not longer than 6 months as of the date of the change.

(6) (New – SG, issue 98 of 2009) When a bank has long-term credit ratings awarded by more than one rating agency, the funds of the additional pension insurance fund may be invested in a bank deposit in such a bank only if each of these ratings meets the requirement under para 1.

Art. 3. The countries under art. 1, item 2 shall be the member states of the Organisation of Economic Cooperation and Development, which are not member states of the European Union, and countries under the European Economic Area Treaty, as follows: Australia, Canada, Korea, Mexico, New Zealand, Switzerland, United States of America, Turkey and Japan.

Art. 4. (amended, SG, issue 3 of 2008, amended – SG, issue 98 of 2009) (1) The indexes under art. 1, item 3 shall be the indexes of regulated securities markets in European Union member states, or other countries – parties under the European Economic Area Treaty.

(2) When the shares under art. 176, para 1, item 12, point "c", in which the pension insurance company has invested the funds of a fund managed by it, shall cease to meet the requirement to be included in an index under para 1, art. 2, para 5 shall apply accordingly.

Art. 5. (amended, SG, issue 3 of 2008, amended – SG, issue 98 of 2009) (1) The countries, regulated markets and indexes under art. 1, item 4 shall be determined as follows:

Country	Regulated market	Regulated market index
1	2	3
1. Commonwealth of Australia	Australian Stock Exchange	All Ordinaries
2. Canada	Toronto Stock Exchange	S&P/TSX Composite Index
3. People's Republic of China	Shanghai Stock Exchange Hong Kong Stock Exchange	SSE 180 Hang Seng
4. Swiss Confederacy	SIX Swiss Exchange	SMI Expanded
5. New Zealand	New Zealand Stock Exchange	NZX - 50
6. Republic of India	National Stock Exchange	S&P CNX Nifty
7. Republic of Korea	Korea Stock Exchange	KOSPI
8. Republic of Macedonia	Macedonian Stock Exchange	MBI-10
9. Republic of Singapore	Singapore Stock Exchange	Straits Times Index
10. Republic of Croatia	Zagreb Stock Exchange	CROBEX
11. Russian Federation	Russian Trading System Moscow Interbank	RTS Index, RTS-2 Index MICEX Index

(2) When the prices of the securities under art. 176, para 1, item 13 of SSC, in which the pension insurance company has invested the funds of a fund managed by it, shall cease to meet the requirement for listing at a regulated market in a country under para 1, and to be included in an index under para 1, art. 2, para 5 shall apply accordingly.

Art. 6. (1) A person who shall commit or shall allow a violation under this Ordinance shall be sanctioned as provided for in art. 351 of the SSC.

(2) The violations of the provisions of the Ordinance shall be established by virtue of acts drawn up by officials authorised by the deputy chair person of the Financial Supervision Commission, head of Social Security Supervision Division.

(3) The penal pronouncements shall be issued by a deputy chair person of the Financial Supervision Commission, head of Social Security Supervision Division or a person authorised by him.

(4) The establishment of the violations, the issuance, appeal and enforcement of the penal pronouncements shall be made as provided for in the Law on Administrative Violations and Sanctions.

Concluding provisions

§ 1. This Ordinance shall be issued on the grounds of art. 176, para 2 of the Social Security Code and is passed by virtue of Decision No 60-N of 12 July 2006 of the Financial Supervision Commission.

§ 2. The Financial Supervision Commission shall provide guidelines on the implementation of the Ordinance.