

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

Art. 1. This Ordinance shall set out:

1. the minimum level of credit ratings of banks under art. 176, para 1, items 5 and 14 of the Social Security Code (SSC) and the rating agencies awarding such credit ratings;
2. the countries under art. 176, para 1, item 10, point "b", items 13 and 14 of SSC;
3. the securities regulated market indexes in European Union member states, or in other countries – parties under the European Economic Area Treaty, where shares under art. 176, para 1, item 11, point "c" of SSC shall be included;
4. the countries, the regulated markets where the securities under art. 176, para 1, item 12 of SSC are traded, as well as the indexes at these markets, where shares under art. 176, para 1, item 12, point "c" of SSC are included.

Art. 2. (amended, SG, issue 3 of 2008) (1) The minimum levels of credit ratings of banks under art. 176, para 1, items 5 and 14 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) 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 14 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) When the credit rating of a bank under art. 176, para 1, items 5 and 14 of the SSC 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.

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, Mexico, New Zealand, Switzerland, United States of America, Turkey and Japan.

Art. 4. (amended, SG, issue 3 of 2008) The indexes under art. 1, item 3 shall be determined as follows:

Country	Regulated market	Regulated market index
1	2	3
1. Austria	Vienna Stock Exchange	ATX, ATXPrime
2. Belgium	Euronext Brussels	BEL20, BEL Mid
3. Great Britain	London Stock Exchange	FTSE 100
4. Germany	Deutsche Boerse AG	DAX, MDAX
5. Greece	Athens Exchange	FTSE/ATHEX 20
6. Denmark	OMX Nordic Exchange Copenhagen	OMXC20, MIDCAP+ OMXN40
7. Estonia	OMX Nordic Exchange Tallinn	OMXBB
8. Ireland	Irish Stock Exchange	ISEQ20 Index
9. Iceland	OMX Nordic Exchange Iceland	OMXI 15 OMXN40
10. Spain	Madrid Stock Exchange	IBEX35, IBEX MEDIUM
11. Italy	Borsa Italiana	MIBTel
12. Cyprus	Cyprus Stock Exchange	FTSE/CySE20
13. Latvia	OMX Nordic Exchange Riga	OMXBB
14. Lithuania	OMX Nordic Exchange Vilnius	OMX BB
15. Luxembourg	Luxembourg Stock Exchange	LuxX

16. Malta	Malta Stock Exchange	MSE
17. Norway	Oslo Stock Exchange	OSEBX
18. Poland	Warsaw Stock Exchange	WIG 20
		mWIG40
19. Portugal	Euronext Lisbon	PSI-20
20. Romania	Bucharest Stock Exchange	BET
21. Slovakia	Bratislava Stock Exchange	SAX
22. Slovenia	Ljubljana Stock Exchange	SBI 20
23. Hungary	Budapest Stock Exchange	BUX
24. Finland	OMX Nordic Exchange Helsinki	OMXH25
		OMXN40
25. France	Euronext Paris	CAC40, CAC20,
		CAC MID 100
26. The Netherlands	Euronext Amsterdam	AEX, AMX
27. The Czech Republic	Prague Stock Exchange	PX
		PX-GLOB
28. Sweden	OMX Nordic Exchange Stockholm	OMXS30
		OMXN40

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

Country	Regulated market	Regulated market index
1. Australia	Australian Stock Exchange	All Ordinaries
2. Brazil	Sao Paulo Stock Exchange	IBOVESPA
3. India	National Stock Exchange	S&P CNX Nifty
4. Canada	Toronto Stock Exchange	S&P/TSX
		Composite Index
5. People's Republic of China	Shanghai Stock Exchange	SSE 180
	Hong Kong Stock Exchange	Hang Seng
6. Korea	Korea Stock Exchange	KOSPI
7. Mexico	Mexico Stock Exchange	IPC
8. New Zealand	New Zealand Stock Exchange	NZX - 50
9. Russia	Russian Trading System	RTSI
	Moscow Interbank	MICEX Index

	Currency Exchange	
10. USA	New York Stock Exchange	S&P 100, S&P500
	American Stock Exchange	Dow Jones Industrial Average (DJIA)
	NASDAQ Stock Market	NASDAQ 100
11. Switzerland	SWX Swiss Exchange	SMI
12. Japan	Tokyo Stock Exchange	Nikkei 225
13. Republic of Croatia	Zagreb Stock Exchange	CROBEX
14. Republic of Macedonia	Macedonian Stock Exchange	MBI-10

Art. 6. (1) A person who shall commit or shall allow a violation under this Ordinance shall be sanctions 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.