

DEVELOPMENT STRATEGY
OF THE FINANCIAL
SUPERVISION COMMISSION
2019 – 2021

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MOTTO

**GUARANTOR OF STABILITY OF THE
NON-BANKING FINANCIAL SECTOR**

PART 1 – Introduction

The Financial Supervision Commission is a specialised state administrative authority for regulation and supervision of the activities of persons in the non-banking financial sector. The Commission, in exercising its powers, shall be independent of the executive branch of government, and shall be accountable for its activities to the National Assembly.

Mission:

The Financial Supervision Commission is an independent regulatory body formed to serve the public interest by improving the manner of functioning of the non-banking financial sector and the behaviour of its participants at the service of consumers, business, economics and society as a whole.

Vision:

Continuous improvement of the regulatory and supervisory activities meeting the challenges of the investment, insurance and social security sector in order to protect the interests of consumers of non-banking financial services.

Principles and values

All employees of the Financial Supervision Commission play an important role in achieving the objectives and maintaining integrity.

The Financial Supervision Commission shall strive for high level of public confidence, shall develop and maintain an organisational culture based on the following principles:

- Law, impartiality and justice
- Responsibility, honesty, transparency
- Effectiveness, efficacy, objectivity

When applying the law and the rules, the Financial Supervision Commission shall observe high standards of conduct and fundamental values, such as:

- Predictability and consistency
- Trust and transparency
- Motivation and development of human potential
- Professionalism and team spirit

All employees and managers are personally responsible for the implementation of these values in their everyday work and their behaviour affects the image of the Financial Supervision Commission. The integrity of the application of the principles and values is a key factor in all aspects of the Commission activities:

For the organisation

- Acting in the capacity of an independent supervisory authority
- In its capacity of employer
- When interacting with supervised entities
- When interacting with investors, insured and socially insured persons

For the employees

- When interacting with supervised entities and their representatives
- When interacting with each other
- In any of their individual actions which may affect the Financial Supervision Commission and its reputation

The integrity of the Financial Supervision Commission shall be ensured by ethical standards of conduct, internal rules, annual plans, financial management and control, information security management, control and assessment of performance, internal auditing.

Strategic intent

The main contribution of the Financial Supervision Commission in Bulgarian social and economic life is to ensure trust and stability in the non-banking financial sector and to protect the interests of the consumers of non-banking financial services.

The Financial Supervision Commission shall carry out effective risk-based supervision of the non-banking financial sector, which is a key prerequisite for stable financial markets.

The Financial Supervision Commission shall protect the interests of consumers of non-banking financial services and products by identifying those persons who fail to comply with their legal obligations and shall use the full force of the law against them.

The Financial Supervision Commission shall be an active participant in the decision-making processes of the working groups of the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority, as well as in the working groups and committees of the European Commission. With its participation in various European forums, FSC strives to protect the interests of the Republic of Bulgaria in this area. As a supervisory authority of an EU Member State, the Commission is responsible for monitoring compliance with the obligations under European law. In order to perform its functions and powers, and as a party to a number of multilateral treaties, it shall maintain effective and beneficial international cooperation.

As a supervisory and regulatory body of the non-banking financial sector, the Financial Supervision Commission has a primary role to enhance public trust in the financial markets and is responsible for improving the financial literacy of the public. It actively monitors the development of financial innovations and conforms the supervisory and regulatory activities with them.

The Commission shall implement a consistent organisational and institutional policy aimed at increasing the administrative capacity, building and maintaining a modern information infrastructure and developing human potential.

Key indicators have also been defined to measure the implementation of this Strategy Plan.

PART 2 – Strategic objectives and actions to achieve them

Strategic objectives of the Financial Supervision Commission 2019 – 2021

1. Implementation of consistent, transparent and predictable regulatory activities
2. Effective application of risk-based supervision and maintenance of stable financial markets
3. Improvement of the manner of functioning of the markets
4. Protection of the consumers of financial services
5. Organisational improvement and development of human capital

Strategic objective 1:

Implementation of consistent, transparent and predictable regulatory activities

Sub-objective 1.1. Provision of complete, intelligible, timely and accessible information about the Commission's regulatory activities

- Informing the public in a timely manner of the planned changes in the regulatory policy
- Effective dialogue with the competent authorities, institutions, professional organisations and other stakeholders when conducting public consultations on the proposals for amendments to the regulatory framework
- Conducting awareness campaigns with the different groups of regulated entities in order to avoid errors or omissions in the application of the relevant legislation
- Preparation and implementation of practices and guidelines for the uniform application of legislation

Sub-objective 1.2. Implementation of a consistent regulatory policy in order to reduce the administrative burden

- Expanding the scope of interaction by electronic means
- Alleviation of administrative procedures
- Providing access to electronic administrative services through the use of electronic identification
- Identification and introduction of good practices in the Commission's regulatory activities
- Undertaking actions to reduce duplicate information required by the supervised entities in various proceedings
- Undertaking actions for optimisation of repetitive activities
- Preparation of proposals for amendment of the legislation in order to remove certain regulatory and administrative burdens

Sub-objective 1.3. Compliance of the national regulations with the specifics of the Bulgarian financial markets in order to enhance their development

- Study of the impact of the newly adopted regulations on the activities of supervised entities and of the resources necessary to adapt their activities to them
- Study of the need for technological innovation in relation to the new regulation
- Study of the impact of the newly adopted regulations on the powers of the Commission and the resources necessary for their implementation
- Performing preliminary assessment of the efficiency of the new regulation
- Analysis of the court procedures with the purpose of promoting good practices and establishing consistent trends

Strategic objective 2:

Effective application of risk-based supervision and maintenance of stable financial markets

Sub-objective 2.1. Early identification of risks in order to maintain financial stability

- Development of the electronic data analysis approach in the implementation of control
- Promoting electronic submission of information
- Building capacity for monitoring and effective control of electronic platforms
- Stress tests for identification of problematic areas in the activities of supervised entities
- Analysis of identified problems in the sectors where supervised entities operate

Sub-objective 2.2. Implementation of a risk management strategy of non-compliance with the relevant legislation by supervised entities

- Periodic assessments of the levels of compliance with the relevant legislation
- Regular assessment of the individual risk indicators and determining the risk profile of supervised entities
- Segmentation of the approaches in the course of the supervisory activity depending on the activity carried out by the supervised entities and its compliance with the applicable legislation
- Effective allocation of the supervisory resources based on the identified risks to supervised entities
- Improving the quality of the administrative-penal proceedings, including strengthening the validity of acts and providing them with sufficient and appropriate evidence in order to ensure their stability

Sub-objective 2.3. Prevention and suspension of operation without the required license or permission

- Informing the relevant institutions and stakeholders of withdrawn licenses and permits for business performed by supervised entities in a timely manner
- Preparation of explanatory materials to distinguish the activity of licensed investment intermediaries from those operating without the necessary license
- Using the “Mystery shopper” figure for the purpose of providing services without the necessary license or permission

- Timely update of the list of persons providing investment services and activities without the necessary license
- Exchange of information between institutions in order to perform effective supervisory actions
- Holding meetings with representatives of other institutions in order to discuss the possibilities for joint supervisory actions and their coordination
- Undertaking coordinated supervisory actions against non-banking financial institutions

Strategic objective 3:

Improvement of the manner of functioning of the markets

Sub-objective 3.1. Monitoring and correction of market behaviour

- Approval of management bodies meeting the requirements for knowledge, experience and reputation and capable of implementing effective and reliable management in compliance with the regulatory requirements
- Assessment of the policies regarding the services and products offered or provided in accordance with the characteristics and needs of the clients to whom they will be offered
- Review of the structure, systems and policies promoting responsible business conduct, fair treatment of customers, including in the event of conflicts of interest

Sub-objective 3.2. Providing information and protection of consumers with regard to products and services offered

- Deciding whether the products and services provided are appropriate for the target customer
- Supervision of the procedures, documents and actions of the supervised entities in terms of the best interest of the client
- Supervision of the manner, form and channels of distribution of products and services

Sub-objective 3.3. Supporting innovation in the non-banking financial sector

- Conducting consultations with market participants to explore innovative solutions for improving market effectiveness
- Promoting technological solutions aimed at reducing costs and expanding access to financial products and services
- Balancing the established security and data protection needs and the possibility of sharing and transparency of data
- Adopting a qualitative and quantitative model of assessment for financial

innovation based on economic functions and contribution, including risks and benefits, regulatory framework and provision of resources

- Building an innovative hub for communication, support and monitoring of companies planning or performing services in the field of financial innovations

Strategic objective 4:

Protection of the consumers of financial services

Sub-objective 4.1. Undertaking timely and effective regulatory and supervisory measures

- Preparing proposals for changes in the regulatory framework and the supervisory practices, both on the basis of the inspections performed and on the analysis of the established issues mentioned in the complaints and signals of the consumers
- Adequate and prompt response within the legal powers in order to prevent any damage to the consumers of financial services and products
- Timely and competent preparation of a response to the complaints filed with the FSC with the aim of protecting the consumers and increasing the trust in the institution
- Effective monitoring of the development of financial innovations

Sub-objective 4.2. Raising the level of public awareness

- Complete, understandable, timely and accessible information about the activities of the Commission shall be provided to the public
- Organising campaigns and informing the public in a timely manner when significant events related to the non-banking financial sector occur
- Active cooperation with the media
- Holding regular meetings with the officials in charge and governing bodies of the supervised entities of the three sectors and with the management bodies of the industry associations
- Timely review of reports and media publications in order to improve the performance of FSC functions
- Maintaining a beneficial dialogue with the competent authorities, institutions, industry associations and other stakeholders when conducting public consultations on proposed amendments to the regulatory framework
- Periodic reporting on the FSC's activities to the public for the purpose of greater transparency
- Use of various channels to inform consumers of financial services and increase public confidence in the Commission's activities

Sub-objective 4.3. Improving financial literacy

- Development and implementation of financial literacy programmes
- Running awareness campaigns for consumers of financial services and products
- Creating a new vision and structure, as well as establishing an online platform for communication with the users of the website “Your Finances”
- User-oriented periodicals on the website “Your Finances”.
- Organisation of educational programmes for students at schools and universities
- Organising seminars for the different target groups

Strategic objective 5:

Organisational improvement and development of human capital

Sub-objective 5.1. Development and maintenance of modern information infrastructure

- Development and maintenance of a modern information infrastructure, meeting all regulatory requirements for interoperability and information security, as well as providing electronic administrative services through accessible interface and their integration via the Single Electronic Administrative Services Portal
- Increasing the level of information security and the quality of the provided IT services by building state-of-the-art security and control systems
- Transfer to electronic document turnover in compliance with the legal requirements
- Maintaining an effective exchange of information and data with the European Supervisory Authorities
- Exchange of experience, research and implementation of best practices related to modern management methods and systems
- Development of computer infrastructure and information systems at the FSC in order to ensure accessibility, reliability and security of data and information
- Updating and completing the data in the information systems of FSC

Sub-objective 5.2. Motivation and development of the employees of the FSC

- Development of internal communications and implementation of initiatives for the promotion of a sense of belonging to the institution among employees
- Development and implementation of an effective system for employee

assessment and remuneration

- Development and maintenance of a working environment which increases the trust, motivation and satisfaction of the employees
- Implementation of training programmes for newly appointed and experienced managers and assessment of the effectiveness and efficiency of their implementation
- Improvement of the process and career development opportunities at FSC
- Development of long-term programmes for professional training and career development of the employees
- Ensuring good working conditions, modern technical means and equipment for the employees of FSC

Sub-objective 5.3. Maintaining effective and beneficial international cooperation and active participation in the activities of the European Supervisory Authorities

- Effective implementation of the FSC obligations arising from the membership at the European Union and international organisations, as well as from international contracts, bilateral agreements and programmes
- Defending the national interest in participating in the activities of the EU bodies and structures and of the European Supervisory Authorities
- Regular participation in the forums and activities of the European Supervisory Authorities and the European Institutions
- Interaction and cooperation with the competent Bulgarian and European institutions in relation to the successful preparation of Bulgaria for joining the Exchange Rate Mechanism II (ERM II)
- Cooperation and exchange of information with the supervisory authorities of EU Member States, EU candidate countries, third countries and international organisations

Part 3 – Key performance indicators

No	Indicator
K1	Number of meetings held with industry associations and other stakeholders
K2	Number of public consultations held
K3	Number of completed awareness campaigns
K4	Number of practices and guidelines issued
K5	Share of information and electronic applications submitted by supervised entities
K6	Share of information submitted by supervised entities via electronic identification
K7	Number of performed impact assessments of newly adopted regulations
K7a	on the powers of the Commission and the resources necessary for their implementation
K7b	on the activity of supervised entities
K8	Number of inspections using electronic data analysis software
K9	Number of stress tests performed
K10	Number of performed analyses of identified problems
K11	Number of risk indicator assessments performed
K12	Number of assessments of the levels of compliance with the relevant legislation
K13	Relative share of the repealed penal rulings and the repealed individual administrative acts
K14	Reduction of the risky behaviour of the persons after risk management – reducing the number of persons at risk
K15	Number of meetings held and exchange of information with representatives of other institutions to implement joint supervisory actions
K16	Number of joint supervisory actions performed
K17	Number of updates to the list of persons providing investment services and activities without authorisation

- K18 Number of inspections where the “Mystery shopper” figure is used
- K19 Number of responses to complaints
- K20 Number of prepared proposals for amendment of the regulatory framework
- K21 Number of reports related to financial innovations
- K22 Number of press conferences carried out
- K23 Number of information materials on the status of the non-banking financial sector and the activity of FSC
- K24 Number of organised seminars
- K25 Number of educational initiatives
- K26 Number of conducted trainings of the employees
- K27 Satisfaction of the employees from the organisation as an employer (results from a survey on key motivation factors)
- K28 Number of participations in the forums and working groups of the European Supervisory Authorities
- K29 Number of received and sent requests for cooperation and exchange of information

This Strategy was adopted with Minutes No 96 of the meeting of the Financial Supervision Commission on 15 November 2018.