

ANNUAL REPORT

on the activity

2024

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List of abbreviations used

ABI – Association of Bulgarian Insurers
ABIRD – Association of Bulgarian Investor Relation Directors
SPIC – Special Purpose Investment Company
BICA – Bulgarian Industrial Capital Association
AIF – Alternative Investment Fund
APC – Administrative Procedure Code
SEAV – Statement of Established Administrative Violations
AEPDS – Act of Established Public Debts to the State
BASPSC – Bulgarian Association of Supplementary Pension Security Companies
BALIF – Bulgarian Association of Licensed Investment Firms
BAAMC – Bulgarian Association of Asset Management Companies
GDP – Gross Domestic Product
BNB – Bulgarian National Bank
BIA – Bulgarian Industrial Association
BSE – Bulgarian Stock Exchange
GF – Guarantee Fund
SANS – State Agency for National Security
VPF – Voluntary Pension Fund
VPFOS – Voluntary Pension Fund with Occupational Schemes
CF – Contractual Fund
GS – Government Securities
EEA – European Economic Area
EC – European Commission
SRM – Single Resolution Mechanism
EC – European Community
EU – European Union
IB – Insurance Broker
IAU – Internal Audit Unit
RRCIIFA – Recovery and Resolution of Credit Institutions and Investment Firms Act
IC – Insurance Company
CISOU CIA – Collective Investment Schemes and Other Undertakings for Collective Investments Act
SPICSCA – Special Purpose Investment Companies and Securitization Companies Act
CIA – Credit Institutions Act
FSCA – Financial Supervision Commission Act
MAMLA – Measures against Money Laundering Act
MAFTA – Measures against the Financing of Terrorism Act
IMMAFIA – Implementation of the Measures against Market Abuse with Financial Instruments Act
POSA – Public Offering of Securities Act
MFIA – Markets in Financial Instruments Act
IC – Investment Company
IF – Investment Firm
IC – Insurance Code
CIS – Collective Investment Schemes
KRIB – Confederation of Employers and Industrialists in Bulgaria
SIC – Social Insurance Code
FSC – Financial Supervision Commission
AIFM – Alternative Investment Fund Managers
MI – Ministry of Interior
IMF – International Monetary Fund
SMEs – Small and Medium-Sized Enterprises
NRA – National Revenue Agency
NIF – National Investment Fund
NBBMI – National Bureau of Bulgarian Motor Insurers
NCGC – National Corporate Governance Committee
PD – Penal Decree
GMS – General Meeting of Shareholders
CAM – Coercive Administrative Measure
LC – Listed Company
UCITS – Undertakings for Collective Investment in Transferable Securities
PIC – Pension Insurance Company
PPF – Professional Pension Fund
MC – Management Company
UPF – Universal Pension Fund
SVPF – Supplementary Voluntary Pension Fund
SMPF – Supplementary Mandatory Pension Fund
SPF – Supplementary Pension Fund

FBP - Fund for benefit payments
FPLP - fund for payment of lifelong pensions
ICF – Investor Compensation Fund
FPWFPW - Fund for programmed withdrawals
CD – Central Depository AD
CCPs – Central Counterparties
ESMA – European Securities and Markets Authority
EIOPA – European Insurance and Occupational Pensions Authority
EBA – European Banking Authority
ESFS – European System of Financial Supervisors
ESRB – European Systemic Risk Board
HHI – Herfindahl-Hirschman index

I. ADDRESS OF THE CHAIR

Dear Ladies and Gentlemen,

I present to you the 2024 Annual Activity Report of the Financial Supervision Commission. Established 21 years ago, the Commission continues to focus its efforts on ensuring stability and transparency in the non-banking financial sector in the country. Technological advancements – particularly in the field of artificial intelligence – along with global economic shifts and green policy developments have shaped a new agenda to which the Commission has aligned its priorities and activities, in order to ensure the effective functioning of the capital, insurance, and pension markets in Bulgaria.

In this dynamic environment, our responsibility as a regulator acting in the public interest remained paramount – consumer protection and the promotion of innovation are at the core of the FSC’s strategic vision. Safeguarding the integrity of the three markets and striving for alignment with European regulatory frameworks are key to ensuring transparency, sound risk management, and sectoral resilience. In 2024, market participants faced a combination of global and domestic challenges that required flexible and long-term strategies. I firmly believe that trust among institutions, businesses, and consumers is the foundation for building a stable financial ecosystem, and the past year stands as a clear testament to that.

In pursuit of effective administrative reforms and adaptation to new European regulations, the FSC aligned its activities with key regulations such as Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (MiCAR) and Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No. 1060/2009, (EU) No. 648/2012, (EU) No. 600/2014 and (EU) No. 909/2014 and (EU) 2016/1011 (DORA). The rapid advancement of digital services and artificial intelligence has necessitated a reassessment of traditional approaches to cyber risk. In response, we adopted a comprehensive and adaptive approach that we will continue to develop – aimed at protecting sensitive information, ensuring regulatory compliance, and fostering a culture of cybersecurity.

In the summer of 2024, the Financial Supervision Commission hosted the strategic conference “Future Challenges and Expectations in the Non-Banking Financial Sector”, where over 300 participants were introduced to MiCAR and DORA, as well as the principles of corporate governance. The event contributed to the creation of a well-prepared and resilient environment amid a period of regulatory transformation.

The Financial Supervision Commission also co-organized a working meeting dedicated to the OECD Principles and the amendments to the National Corporate Governance Code, in partnership with the National Corporate Governance Committee, the Association of Industrial Capital in Bulgaria, and the Bulgarian Stock Exchange. This marked the beginning of a broader dialogue on sustainable corporate governance – a key factor in building investor trust and supporting Bulgaria’s successful accession to the OECD.

Supplementary pension provision reached a mature stage in 2024, bolstered by a favourable OECD assessment and a recommendation to introduce a multi-fund model. The

Commission examined international experience and actively engaged in discussions to improve the pension system, including participation in a plenary session of the Economic and Social Council.

In the context of the upcoming euro area accession, the FSC conducted a working visit to Croatia to exchange experience on euro integration strategy. The focus was on coordination mechanisms, legal adaptations, and communication strategies – with a view to ensuring consumer protection and financial system stability.

In the area of financial innovation, the Commission implemented actions under the Financial Innovation Monitoring Strategy (2021–2024), including awareness campaigns and participation in key industry events such as Investor Finance Forum 2024 and Investor Day. The new FinTech Sector Monitoring Strategy for 2025–2027 was published, aiming to strike a balanced approach between regulation, consumer confidence, and innovation.

In 2024, the Financial Supervision Commission was recognized for the implementation of the Unified Information System and the FSC Mobile application – two innovative tools that have transformed administrative services and digital connectivity with the regulator. The FSC conducted numerous initiatives aimed at improving financial literacy. These included participation in Global Money Week, the educational program “The Non-Bank Financial Sector in Bulgaria, student webinars, and outreach events held throughout the country. These activities emphasize the risks of online investments, the importance of personal financial management, and promote informed consumer behaviours.

As part of its social responsibility policy, the FSC supported a number of charitable initiatives benefiting children at risk and children with special needs, reinforcing its image as an institution committed to high ethical standards.

In light of challenges in the insurance sector, the FSC took swift action in response to issues surrounding third-party liability insurance pricing for taxi vehicles, as well as natural disasters that impacted several regions. The regulator called on insurance companies to take timely measures and uphold consumer rights.

The Commission has been involved in the drafting of a number of bills in the area of the non-banking financial sector, as follows: Draft act on the introduction of the euro in the Republic of Bulgaria, Draft Act Amending and Supplementing the Recovery and Resolution of Credit Institutions and Investment Firms Act. Draft Act on Markets in Crypto assets.

In 2024, the Commission adopted Ordinance amending and supplementing Ordinance № 22 of 28.02.2018 on the requirements for protection of financial instruments and cash of clients, for product management and for providing or receiving remuneration, commissions, other monetary or non-monetary benefits; Ordinance №. 22 of 29.07.2005 on the terms and conditions for the registration and de-registration of public companies, other issuers of securities and issues of securities in the register of the Financial Supervision Commission. Ordinance amending and supplementing Ordinance No 50 of 30.03.2022 on capital adequacy, liquidity of investment firms and supervision of compliance thereof; Ordinance amending and supplementing Ordinance No. 63 of 8 November 2018 on the requirements to the content, frequency of preparation and deadlines for submission of reports for supervisory purposes of the pension insurance companies and the funds managed by them; Ordinance amending and supplementing Ordinance No. 38 of 21.05.2020 on the requirements to the activities of

investment firms; Ordinance to amend and supplement Ordinance No. 11 of 03.12.2003 on licenses for operating as a regulated market, market operator, for organizing a multilateral trading facility or an organized trading facility, for operating as an investment firm, investment company, management company, special purpose investment company, national investment fund, alternative investment fund manager.

In the field of capital markets, in 2024, one license to operate as an investment firm was issued. In 2024, one procedure for extending an investment firm (IF) license was initiated but subsequently withdrawn by the applicant, and one decision to revoke an IF license was issued upon the firm's own request. At the end of 2024, the total number of IFs stood at 58, including 19 banks and 39 non-bank IFs. The number of IFs (both banks and non-bank institutions) holding a full license (entitling them to trade and provide services related to financial instruments on their own account) was 38, while 15 IFs held a partial license under Art. 10, para. 2 of the Markets in Financial Instruments Act (MFIA).

One license was issued for the provision of crowdfunding services. Nine applications for approval of a member of the management or supervisory body of an IF were reviewed, with no refusals issued. One procedure for the assessment of an acquisition of a qualifying holding in the capital or voting rights of an investment firm was reviewed, and no prohibition was imposed. Within 2024, 3 proceedings were considered in connection with the activities of the Bulgarian Stock Exchange AD and the Central Depository AD.

In 2024, four authorizations were issued to management companies to organize and manage mutual funds. Two authorizations were granted to management companies for organizing and managing national investment funds. During the year, three alternative investment fund managers under Articles 214 et seq. of the CISOU CIA were registered. Eleven procedures for the approval of new members of the management or supervisory bodies of management companies were reviewed, with no refusals issued.

One new license was granted for the operation of a special purpose investment company focused on real estate investments. No refusals were issued regarding applications for licensing a special purpose investment company. In 2024, one SPIC license was revoked following an explicit voluntary request and the completion of a share buyback procedure under the terms and conditions of Article 149b of the POSA.

In relation to the activities of special purpose investment companies and the regulatory requirements applicable under the current Special Purpose Investment Companies Act (SPICA), the Financial Supervision Commission reviewed and ruled on a total of 60 procedures in 2024.

Two new public companies were entered into the register of public companies and other issuers of securities, and one public company was deregistered based on the regulator's powers under the POSA. During the year, a total of 46 prospectuses and one supplement to a prospectus were approved.

The Financial Supervision Commission (FSC) issued two decisions for the granting of initial licenses in the insurance market. Four decisions were issued regarding the acquisition of qualifying holdings in insurance companies. In the reporting period, the FSC issued 72 decisions approving members of the management and supervisory bodies of insurance and

reinsurance undertakings and insurance holding companies. In 2024, thirteen decisions were issued concerning the implementation of registration regimes for insurance intermediaries.

During the reporting 2024 there were no applications for issue of licenses or authorizations, or for transformation of pension insurance companies and/or supplementary pension funds and funds for benefit payment, for voluntary winding-up of existing companies, and the FSC did not establish grounds to withdraw issued pension licenses.

The regulator maintains active cooperation with international supervisory authorities and organizations such as the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS), the International Organisation of Pension Supervisors (IOPS), the European Securities and Markets Authority (ESMA), and the European Insurance and Occupational Pensions Authority (EIOPA). It also participates in reviews and initiatives within the framework of the Organisation for Economic Co-operation and Development (OECD), including through the Committees on Insurance, Financial Markets, and Corporate Governance.

This report consists of two main sections: the activities of the Financial Supervision Commission (FSC) as a regulatory and supervisory authority, and an in-depth analysis of the state of the non-bank financial sector in the context of the economic and regulatory developments of 2024.

By applying the principles of good governance, aligning with European regulations, and demonstrating a strong commitment to European integration, Bulgaria is confidently stepping into a new stage of its development. Let us continue working together – institutions, businesses, and citizens – to build a stable and innovative financial environment where trust remains the guiding principle.

Thank you for your confidence!

II. FSC'S ACTIVITY IN 2024

1. Regulatory activities

1.1. Amendments to the regulatory framework

In 2024, experts from the FSC participated in working groups on the preparation of the following draft laws concerning the non-banking financial sector:

Draft Act on the Introduction of the Euro in the Republic of Bulgaria

The draft act is proposed to fulfil Republic of Bulgaria's strategic objective of accession to the euro area. The purpose of the act on the Introduction of the Euro in the Republic of Bulgaria is to ensure the smooth adoption of the euro currency in the Republic of Bulgaria and to enhance transparency and public awareness about the process of transition to the single European currency. The act sets out the principles, rules, and procedures for introducing the euro as the official currency of the Republic of Bulgaria.

By adoption of the act, conditions are established to regulate and facilitate the transition to the euro, including a dual-pricing period for goods and services and dual circulation of both currencies. This serves to ensure a high level of transparency in the process and provide society with an opportunity to adapt. The introduction of the euro will complete Bulgaria's accession to the euro area, representing the logical culmination of euro-integration within the Economic and Monetary Union.

The Act on the Introduction of the Euro in the Republic of Bulgaria was adopted by the National Assembly and promulgated in the State Gazette, 70/2024.

Draft Act amending and supplementing the Recovery and Resolution of Credit Institutions and Investment Firms Act

The transposition into national legislation of the amendments provided for in Directive 2014/59/EU pursuant to Regulation (EU) 2022/2036 and Directive (EU) 2024/1174 aims to further develop and adapt the current legal framework in line with the adopted European legislation. The new harmonized rules will ensure alignment between the prudential requirements for calculating own funds and eligible liabilities of G-SIIs with a multiple point of entry resolution strategy, as set out in Regulation (EU) No 575/2013, and the internal minimum requirement for own funds and eligible liabilities (internal MREL) regime for all credit institutions under Directive 2014/59/EU. In addition, the new framework will ensure that the indirect issuance of own funds and eligible liabilities for the purpose of meeting internal MREL is carried out in a prudentially sound manner. It will prevent the double-counting of instruments eligible for internal MREL purposes and will ensure the effective functioning of loss absorption and recapitalization mechanisms within the group. Directive (EU) 2024/1174 further develops the internal MREL framework by allowing resolution authorities, under certain conditions, to determine internal MREL on a consolidated basis for entities within a resolution group that are not themselves resolution entities. The Directive also introduces simplified requirements for institutions and entities for which the resolution plan foresees exit from the market through normal insolvency proceedings, or for which no use of write-down or conversion powers for capital instruments and eligible liabilities is envisaged (i.e. liquidation

entities). Such entities are not required to comply with internal MREL, unless the resolution authority decides otherwise. With the proposed amendments and supplementations to the RRCIIFA becoming effective, credit institutions and investment firms licensed in the Republic of Bulgaria operate under regulatory conditions that are harmonized with the conditions in other Member States of the European Union. This, in turn, is in the interest of legal security and the single market in the EU. In addition, the adoption of the proposed amendments and additions to the RRCIIFA, aimed at refining the regulatory framework, will ensure full harmonisation with European legislation. The adoption of the amendments to the Bank Insolvency Act proposed by the transitional and final provisions of the draft act achieves compliance of the legal framework in the field of bank insolvency with the Convention, thus guaranteeing the right of protection of a bank in insolvency proceedings. In addition, the independence of the Bank Deposit Guarantee Fund as a supervisory authority in bank insolvency proceedings will be guaranteed and greater clarity will be achieved on the competent authorities in bank insolvency proceedings.

Draft Act on Markets in Crypto-Assets

The proposed Draft Act on Markets in Crypto-Assets introduces into national legislation measures to ensure the implementation of the requirements set out in Regulation (EU) 2023/1114 on markets in crypto-assets and Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain crypto-assets. It also includes measures to support the implementation of Regulation (EU) 2022/2554 and to transpose the amendments introduced by Directive (EU) 2022/2556 concerning digital operational resilience in the financial sector.

By establishing a legal framework for crypto-asset markets in accordance with Regulation (EU) 2023/1114, companies in the Republic of Bulgaria will be able to fully benefit from the advantages of the new European regulation. A more reliable and secure crypto-asset market will be built. Crypto-assets and their underlying distributed ledger technology (DLT) hold significant potential to improve efficiency in the “traditional” financial sector. This potential stems primarily from two characteristics of the technology: the ability to record information in a secure and immutable format, and the ability to make that information transparently accessible to all market participants within the DLT network. The existence of a clear legal framework for crypto-assets at the EU level, and specifically in the Republic of Bulgaria, would enable companies and crypto-asset issuers to innovate and compete on an equal footing within the single market, while also taking advantage of new forms of payment without compromising consumer protection or financial stability.

When crypto-assets are legally regulated, they expand the range of investment opportunities available to investors. The regulation and supervision of entities providing crypto-asset services lead to effective management of operational and cyber risks associated with the delivery of such services, thereby enhancing the overall security of the crypto-asset market. This should also contribute to minimizing the risk to consumers from the insolvency of crypto-asset service providers. Competent authorities will monitor compliance with minimum standards for operational risk (including cyber risk), thereby encouraging service providers to implement appropriate systems and controls to safeguard consumers from losses resulting from hacking attacks, software errors, or data loss. Designating the Financial Supervision Commission (FSC) and the Bulgarian National Bank (BNB) as the competent authorities under Regulation (EU) 2023/1114 on Markets in Crypto-Assets will ensure market integrity while

supporting financial stability and enabling the effective conduct of monetary policy. With a regulatory framework and effective powers at the national level under Regulation (EU) 2023/1114 on Markets in Crypto-Assets, the offering of crypto-assets will bring several economic benefits – including lower-cost and faster payments as an alternative to traditional methods, alternative sources of financing for businesses, and advantages related to decentralized data in the economy. The introduction of measures for the effective implementation of Regulation (EU) 2023/1113 will also help reduce the risk of money laundering during the transfer of certain crypto-assets or the transmission of funds. The amendment of the regulatory framework will establish conditions in national legislation for the application of Regulation (EU) 2022/2554.

With regard to risks in the area of information and communication technology (ICT), financial entities are expected to adopt a consistent approach and fundamental principles, taking into account their size, overall risk profile, and the nature, scale, and complexity of their services and activities. Harmonization contributes to strengthening trust in the financial system and preserving its stability, while acknowledging its dependence on ICT systems, platforms, and infrastructures. The implementation of new requirements in the area of operational resilience ensures technological security and the sound functioning of the financial sector, as well as its rapid recovery from ICT breaches and incidents. Ultimately, this enables the effective and uninterrupted delivery of financial services, including in times of stress, while preserving user and market confidence. Overall, the financial system is expected to become less vulnerable to cyber threats and ICT disruptions.

The secondary legislative acts adopted in 2024 are in line with the FSC's legislative agenda.

Ordinance amending and supplementing Ordinance No. 58 of 28.02.2018 on the requirements for protection of financial instruments and cash of clients, for product management and for providing or receiving remuneration, commissions, other monetary or non-monetary benefits;

On 03.08.2023, the European Securities and Markets Authority published on its website Guidelines on MiFID II product governance requirements (ESMA35-43-3448), on the basis of Article 16(1) of Regulation (EU) No. 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No. 716/2009/ EC and repealing Commission Decision 2009/77/EC, which guidelines replace the Guidelines on MiFID II product governance requirements (ESMA35-43-620). The new items in the Guidance on MiFID II product governance requirements (ESMA35-43-3448) relate to the sustainability objectives with which the product is compliant. With Decision No. 888-N dated 28.09.2023, the FSC has announced that it intends to comply with the Guidelines on MiFID II product governance requirements under (ESMA35-43-3448) in its supervisory practice.

The amendments to Ordinance No. 58 introduce requirements for entities that create and those that distribute financial products, ensuring compliance with the Guidelines on product governance requirements under MiFID II (ESMA35-43-3448) and refining other existing provisions of the ordinance.

The amendments and supplementations to Ordinance No. 58 contribute to ensuring a consistent and uniform application of product governance rules on the territory of the EU, and they are expected to lead to an increase in the degree of protection of investors' interests.

Ordinance No. 22 on the terms and conditions for registration and de-registration of public companies, other issuers of securities and issues of securities

The current Ordinance No. 22 of 29.07.2005 on the terms and conditions for registration and de-registration of public companies, other issuers of securities and issues of securities in the register of the Financial Supervision Commission was adopted on the basis of paragraph 16, para. 1 of the transitional and final provisions in connection with Art. 79a, para. 2, Art. 100y, para. 4, Art. 110, para. 8 of the POSA. With the adoption of measures to implement Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJ, L 168/12 of 30 June 2017), Art. 79a, para. 2, as well as the entire sections I and II of Chapter Six of the POSA are repealed. The new regulations adopted by the legislator completely change the concept regarding the public offering of securities and the disclosure of information regarding issuers under Art. 100j of the POSA. Given that the amendments required to the existing legal act are substantial and numerous, a new draft of Ordinance No. 22 on the terms and procedure for registration and deregistration in the register of public companies, other issuers of securities, and issues of securities has been prepared. Ordinance No. 22 also introduces amendments and supplements to Ordinance No. 2 of 9 November 2021 on the initial and ongoing disclosure of information in public offerings of securities and admission of securities to trading on a regulated market, and to Ordinance No. 15 of 5 May 2004 on the maintenance and storage of the registers by the FSC and the circumstances subject to registration. The changes aim to refine the current provisions and address issues identified during the supervisory application of the aforementioned ordinances.

The amendments provide greater detail regarding the terms and procedure for registration and deregistration in the FSC-maintained register of public companies, other issuers of securities, and securities issues.

Ordinance to amend and supplement Ordinance No 50 of 30.03.2022 on capital adequacy, liquidity of investment firms and supervision of compliance thereof;

The amendments aim to ensure compliance with the Guidelines on certain aspects of the MiFID II remuneration requirements (ESMA35-43-3565), as well as to reduce the administrative burden. To ensure alignment with the Guidelines on certain aspects of the MiFID II remuneration requirements (ESMA35-43-3565), additions have been made to Article 1(3), Article 34(4), and Article 102(3) of the Ordinance. Additional technical edits have been introduced in the Ordinance to harmonize the national legislative framework with European regulations.

Instruction on Cooperation and Information Exchange between the State Agency for National Security and the Financial Supervision Commission

The purpose of this instruction is to establish the conditions, procedures, and means of cooperation and information exchange between SANS and the Commission in the following contexts: the Agency's activities under Art. 4, para. 1, item 6 of the SANS Act, aimed at

preventing and detecting threats related to the economic and financial security of the Republic of Bulgaria, and the statutory functions of the Commission; the application of Art. 115, para. 4 of the MAMLA. The instruction is intended to ensure the timely, effective, and lawful performance of the functions of SANS and the Commission, as defined in the SANS Act, the FSC Act, and MAMLA.

Ordinance amending and supplementing Ordinance No. 63 of 8 November 2018 on the requirements for the content, frequency of preparation, and deadlines for submission of supervisory reports by the pension insurance companies and the funds they manage

In connection with the Act amending and supplementing the Social Insurance Code, promulgated in State Gazette No. 85 of 10 October 2023, which ensures the implementation of Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP), the secondary legislation has also been updated, including in relation to pension insurance companies and the funds they manage. The amendments to Ordinance No. 63 establish the supervisory reports for voluntary pension funds under PEPP and introduce the Guidelines of the European Insurance and Occupational Pensions Authority on supervisory reporting for the pan-European Personal Pension Product (PEPP) (EIOPA-21/260). In addition, the templates for reports and statements submitted by pension insurance companies in relation to PEPP have been revised. The Ordinance amending and supplementing Ordinance No. 63 also introduces amendments to other secondary legislative acts within the competence of the Social Insurance Supervision Division, namely:

- Ordinance No. 3 of 24 September 2003 on the procedure and manner for switching participation and transferring the accumulated funds of an insured person from one supplementary pension fund to another fund of the same type managed by another pension insurance company.
- Ordinance No. 9 of 19 November 2003 on the method and procedure for valuation of the assets and liabilities of pension insurance companies and the funds they manage, for determining the net asset value of the funds, for calculating and disclosing the value of a unit, for calculating and comparing the return on investment properties, and for the requirements for maintaining individual accounts and analytical accounts in a fund for programmed withdrawals.
- Ordinance No. 10 of 29 June 2021 on the requirements regarding the solvency margin and own funds of pension insurance companies, their recovery plans, and the minimum liquid funds of the companies and the funds they manage;
- Ordinance No. 15 of 5 May 2004 on the maintaining and keeping of registers by the Financial Supervision Commission and the circumstances subject to registration;
- Ordinance No. 17 of 7 July 2004 on the documents required for issuing authorization for the transformation of a pension insurance company and a supplementary pension fund, and on the requirements for the plans under Article 327(1)(3) and Article 336(1) of the Social Insurance Code;
- Ordinance No. 31 of 02.08.2006 on the conditions and procedure for conducting an examination and for the recognition of legal capacity as a responsible actuary, for the recognition of such legal capacity acquired outside the Republic of Bulgaria, for the form of actuarial certification, the form and the content of the actuarial report and the statements under the Insurance Code that the responsible actuary certifies, as well as for the form and mandatory content of the annual actuarial report under the Social Insurance Code;

- Ordinance No. 34 of 4 October 2006 on the conditions for concluding transactions to for hedging the investment risk associated with the assets of supplementary pension funds and funds for benefit payment, and on the requirements and restrictions applicable to such transactions;
- Ordinance No. 47 of 11 July 2012 on the requirements for the information systems of the pension insurance companies;
- Ordinance No. 48 of 20 March 2013 on the requirements regarding remuneration;
- Ordinance No. 52 of 21 October 2016 on the procedure for deduction of the fees under Article 201(1)(2) and (3) and Article 256(1)(3) of the Social Insurance Code, collected by the pension insurance companies;
- Ordinance No. 56 of 4 January 2018 on the minimum content of the investment policies of supplementary pension funds;
- Ordinance No. 59 of 4 April 2018 on the functions and responsibilities of the units, departments, and persons conducting risk management, internal control, and internal audit in pension insurance companies;
- Ordinance No. 60 of 2 May 2018 on the requirements for the documents under Article 122a, para.1, items 6 and 11, Article 145(, para. 1, items 4,8,9,11, and Article 218, para. 2, items 3, 7,8 11 of the Social Insurance Code for the issuance of a pension license and a pension fund management authorization;
- Ordinance No. 61 of 27 September 2018 on the requirements for advertising and written informational materials and the websites of the pension insurance companies;
- Ordinance No. 62 of 30 October 2018 on the procedure for storing, using, and destroying documents and data related to supplementary pension insurance activities by pension insurance companies;
- Ordinance No. 64 of 29 November 2018 on the requirements for the persons under Article 344, para. 2, item 2 of the Social Insurance Code and the procedure and manner for their appointment.

Ordinance amending and supplementing Ordinance No. 38 of 21.05.2020 on the requirements to the activities of investment firms

The ordinance introduced amendments to the secondary legislation applicable to the activities of the entities supervised by the FSC, namely:

- Ordinance № 8 of 03.09.2020 on the requirements to the activity of the central securities depositories, the central securities register and other persons carrying out activities related to the settlement of securities;
- Ordinance No. 34 of 4 October 2006 on the conditions for concluding transactions to reduce the investment risk associated with the assets of supplementary pension funds and funds for benefit payments, and on the requirements and restrictions applicable to such transactions;
- Ordinance No. 44 of 20.10.2011 on the requirements to the activity of collective investment schemes, their management companies, national investment funds, alternative investment funds and alternative investment fund managers
- Ordinance No. 53 of 23.12.2016 on the requirements for reporting, the assessment of assets and liabilities and the formation of technical provisions of insurers, reinsurers and the Guarantee Fund;

The amendments and supplements to the aforementioned secondary legislation will result in improved harmonization and standardization of reporting, as well as a reduction in costs across the entire reporting chain – namely, for counterparties reporting the data, for trade repositories implementing procedures to verify data accuracy and completeness, and for the authorities designated under Article 81(3) of Regulation (EU) No 648/2012 who use the data for supervisory and regulatory purposes. The implementation of the requirements under the Reporting Guidelines pursuant to EMIR (ESMA74-362-2281) and the Guidelines on the transfer of data between trade repositories under the European Market Infrastructure Regulation and the SFT Regulation (ESMA74-362-2351) will bring significant benefits to the entities within their scope, without imposing additional administrative burden and/or requiring additional resources for compliance. It will also facilitate the FSC's supervisory practices.

Ordinance amending and supplementing Ordinance No. 11 of 3 December 2003 on licenses for conducting activities as a regulated market, market operator, for organizing a multilateral trading facility or an organized trading facility, for conducting activities as an investment firm, investment company, management company, special purpose investment company, national investment fund, and alternative investment fund manager

The amendments and supplements to the ordinance aim to align the secondary legislation with the requirements of POSA, MFIA, and CISOU CIA, and to further detail certain conditions and procedures for licensing proceedings conducted by the FSC.

In 2024, the FSC drafted and adopted at first reading:

Ordinance amending and supplementing Ordinance No. 53 of 23 December 2016 on the requirements for reporting, asset and liability valuation, and the formation of technical provisions of insurers, reinsurers, and the Guarantee Fund.

The adoption of this ordinance is intended to ensure predictability and legal certainty by restoring the established form of regulating additional supervisory reporting of insurers through a secondary legislative act of the FSC, rather than through an order issued by the Deputy Chair in charge of the Insurance Supervision Division. The objective is also to enrich the information collected for supervisory purposes, with a view to improving transparency in the insurance market, and to align the provisions concerning the submission of regular supervisory reporting with the new information environment following the implementation of the UIS. Furthermore, the ordinance regulates the new annual report on activities within the meaning of the Accountancy Act and establishes the format for its submission. Amendments to Ordinance No. 15 of 5 May 2004 on the maintenance and storage of registers by the Financial Supervision Commission and on the circumstances subject to registration are also envisaged. The proposed amendments and supplements are of a technical nature and are aimed at ensuring legal certainty and preventing inaccuracies in the application of the ordinance.

1.2. New aspects of EU policy

In the past 2024, the following acts were published in the Official Journal of the European Union:

REGULATIONS

1. Regulation (EU) 2024/791 of the European Parliament and of the Council of 28 February 2024 amending Regulation (EU) No 600/2014 as regards enhancing data transparency, removing obstacles to the emergence of consolidated tapes, optimising the trading obligations and prohibiting receiving payment for order flow

This Regulation introduces the following principles and innovations:

- A continuous electronic live data stream is established, known as the consolidated tape, which provides a comprehensive, real-time view of prices and volumes for equity and equity-like instruments traded across all trading venues in the Union.
- Changes the pre-trade transparency exemption requirements for central limit order books and periodic auction trading systems by removing the exemption above a certain size for a given financial instrument for quote request systems and voice trading systems;
- The regime for deferring publication of post-trade data related to non-equity instruments is harmonised: national competent authorities lose discretionary power, and transparency obligations post-trade are strengthened.
- ESMA is granted powers to draft regulatory technical standards specifying the application of the concept “reasonable commercial terms” to ensure the harmonized and consistent application of Article 13 of MiFIR, and to monitor market-pricing and data-policy developments to update RTSs accordingly.
- shares will be categorised based on their ISIN (International Securities Identification Number) ;
- the new scope for reporting derivatives transactions establishes a distinction under which OTC derivatives transactions entered into on a trading venue must be reported and OTC derivatives transactions entered into off a trading venue are reported only if they are subject to transparency requirements or if the underlying instrument is traded on a trading venue or is an index or basket composed of financial instruments that are traded on a trading venue;
- Data contributors opting into the consolidated tape receive preferential treatment in the redistribution of revenue generated by the system for equities and ETFs.
- The obligation for data providers (other than trading venues and approved publication arrangements) to publish trade reports free of charge within 15 minutes is removed.
- Providers that do not operate a multilateral trading system are excluded from pre- and post-trade transparency obligations and best execution checks.

2. Regulation (EU) 2024/1106 of the European Parliament and of the Council of 11 April 2024 amending Regulations (EU) No 1227/2011 and (EU) 2019/942 as regards improving the Union’s protection against market manipulation on the wholesale energy market

This Regulation aims to enhance public trust in the functioning of wholesale energy markets and ensure effective EU protection against market abuse. By amending Regulation (EU) No 1227/2011, it addresses existing shortcomings in the current framework, increases transparency and monitoring capacity, contributes to stabilizing energy prices, protects consumers, and enables more effective cross-border investigations and enforcement actions in case of potential cross-border market abuse.

3. Regulation (EU) 2024/2847 of the European Parliament and of the Council of 23 October 2024 on horizontal cybersecurity requirements for products with digital elements

and amending Regulations (EU) No 168/2013 and (EU) 2019/1020 and Directive (EU) 2020/1828 (Cyber Resilience Act)

The regulation lays down:

- the rules for placing products with digital elements on the market in order to ensure the cybersecurity of such products;
- the essential cybersecurity requirements for the design, development and production of products with digital elements and the obligations of economic operators relating to the cybersecurity of such products;
- the essential cybersecurity requirements for vulnerability handling processes put in place by manufacturers to ensure the cybersecurity of products with digital elements during their expected lifetime and the obligations of economic operators related to these processes;
- the rules on market surveillance, including monitoring and enforcement of the above-mentioned rules and requirements.

The Regulation introduces conditions for the development of secure products with digital elements, aiming to ensure a low level of vulnerabilities in the hardware and software products placed on the market, as well as to promote a responsible approach to security by manufacturers throughout the entire lifecycle of the product. It also establishes the necessary prerequisites for enabling users to take cybersecurity into account when selecting and using products with digital elements, by enhancing transparency regarding the support period for such products made available on the market.

The rules introduced form a harmonized EU-level regulatory framework, thereby enhancing overall legal certainty for users, organizations, and businesses, including micro, small and medium-sized enterprises as defined in the Annex to Commission Recommendation 2003/361/EC.

This Regulation ensures legal certainty for economic operators and users of products with digital elements across the Union, as well as better harmonization of the internal market and proportionality for micro, small and medium-sized enterprises, by creating more viable conditions for economic operators seeking to enter this market.

This Regulation shall enter into force on the twentieth day following its publication in the Official Journal of the European Union. It shall apply from 11 December 2027, except for Article 14, which shall apply from 11 September 2026, and Chapter IV (Articles 35 to 51), which shall apply from 11 June 2026.

4. Regulation (EU) 2024/1620 of the European Parliament and of the Council of 31 May 2024 establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010

This Regulation is part of a comprehensive package aimed at strengthening the EU framework for combating money laundering and terrorist financing (AML/CFT), and together with Regulation (EU) 2023/1113, Regulation (EU) 2024/1624 and Directive (EU) 2024/1640, establishes the legal framework governing AML/CFT requirements.

The Regulation establishes a new European Union authority for anti-money laundering and countering the financing of terrorism (AMLA), which is crucial for ensuring effective and adequate supervision of obliged entities that present a high risk of money laundering and

terrorist financing (ML/TF), for strengthening common supervisory approaches for all other obliged entities, and for supporting joint analyses and cooperation between financial intelligence units (FIUs). The Authority will be headquartered in Frankfurt am Main.

The current AML/CFT-related powers of the EBA will cease to apply upon the entry into force of this Regulation, as they will be transferred to the new authority.

This Regulation shall enter into force on the seventh day following its publication in the Official Journal of the European Union. It shall apply from 1 July 2025, except for Articles 1, 4, 49, 53, 54, 55, 57 to 66, 68 to 71, 100, 101 and 107, which shall apply from 26 June 2024, and Article 103, which shall apply from 31 December 2025.

5. Regulation (EU) 2024/1624 of the European Parliament and of the Council of 31 May 2024 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing

This Regulation is part of a comprehensive package aimed at strengthening the Union framework in the field of anti-money laundering and countering the financing of terrorism (AML/CFT), which also includes Directive (EU) 2024/1640 of the European Parliament and of the Council and Regulations (EU) 2023/1113 and (EU) 2024/1620 of the European Parliament and of the Council, establishing the legal framework governing AML/CFT requirements, including the creation of the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA).

The Regulation lays down provisions in the following three areas:

- specifying the measures to be applied by obliged entities to prevent money laundering and terrorist financing;
- establishing transparency requirements for beneficial ownership of legal entities, express trusts and similar legal arrangements;
- determining measures to limit the misuse of anonymous instruments.

The Regulation introduces obligations for a number of entities, including those supervised by the FSC, as well as specific obligations for parent undertakings in group structures and for branches and subsidiaries in third countries.

The Regulation also sets out the policy framework regarding third countries, including where money laundering and terrorist financing risks originate from outside the EU.

It includes a list of measures to be taken for both simplified and enhanced customer due diligence, and establishes mechanisms for cooperation between financial intelligence units (FIUs) and OLAF.

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

It shall apply from 10 July 2027, except in respect of the obliged entities referred to in Article 3(3)(n), for which it shall apply from 10 July 2029.

6. Regulation (EU) 2024/2809 of the European Parliament and of the Council of 23 October 2024 amending Regulations (EU) 2017/1129, (EU) No 596/2014 and (EU) No 600/2014 to enhance the attractiveness of public capital markets in the Union for companies and to facilitate access to capital for small and medium-sized enterprises

This Regulation aims to support the development of capital markets in the Union by reducing their fragmentation due to existing national borders, providing companies with access to sources of financing other than bank lending, and enabling them to adjust their capital structure as they grow and strengthen. By diversifying funding methods, particularly through debt and equity, risks for individual companies and the economy as a whole will be reduced, thus contributing to the realization of the growth potential of Union companies, including SMEs. The Regulation supports the development of the Capital Markets Union (CMU), which is intended to accelerate investments necessary to implement policies in the areas of environmental and water protection, digitalization, and strategic autonomy.

The Regulation introduces more flexible regulatory treatment of companies proportionate to their size, removing regulatory obstacles present in Regulation (EU) 2019/2115 of the European Parliament and of the Council amending Directive 2014/65/EU and Regulations (EU) No 596/2014 and (EU) 2017/1129 with regard to the promotion of the use of SME growth markets, which hinder companies' access to public markets. Amendments are made to the Prospectus Regulation (EU) 2017/1129 to eliminate barriers affecting companies' access to EU public markets before, during, and after the stage of the initial public offering (IPO), especially with respect to overcoming burdensome disclosure requirements when admitting securities to trading on public markets, as set out in Regulation (EU) 2017/1129 and Regulation (EU) No 596/2014 of the European Parliament and of the Council.

This Regulation shall enter into force on the twentieth day following its publication in the Official Journal of the European Union. Article 1(7)(g) and points 11–14 shall apply from 5 March 2026, and Article 1(3), (6)(b) and (c), (7)(a)–(f), (10)(a)(i), (ii) and (iii), (10)(b) and (c), and (21)(a) as regards Article 27(1) of Regulation (EU) 2017/1129, and Article 2(6)(a), (b), (c) and (d) of this amending Regulation shall apply from 5 June 2026.

By 5 June 2026, Member States shall take the necessary measures to comply with the requirements laid down in Article 2(14)(a) and (15).

7. Regulation (EU) 2024/2987 of the European Parliament and of the Council of 27 November 2024 amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to limit excessive exposures to third-country central counterparties and to improve the efficiency of Union clearing markets

The objective of this Regulation is to introduce additional provisions to improve the efficiency of clearing services in the European Union as a whole and, in particular, of CCPs, by optimizing procedures – especially for the expansion of services or activities and for changes to CCP risk models – increasing liquidity, promoting clearing at Union CCPs, modernizing the regulatory framework governing CCP activities, and providing CCPs and other financial market participants with the flexibility needed to compete effectively in the internal market.

The following are the key changes introduced by this Regulation:

- Market participants are granted broader access to safe and efficient clearing services, and supervision of CCPs is enhanced, with particular attention to their role in the financial system overall, especially regarding the provision of cross-border services;
- The equivalence decision-making framework is simplified

- Access to post-trade risk-reduction services is facilitated for a broader group of market participants, and transactions arising from such services are exempted from the clearing obligation if they meet specifically defined exemption conditions;
- Financial and non-financial counterparties subject to the clearing obligation are required to maintain, directly or indirectly, active accounts and a clear and representative number of transactions with a CCP established in the Union;
- Non-financial counterparties exchanging collateral under non-centrally cleared OTC derivative contracts are granted sufficient time to negotiate and test collateral exchange agreements;
- Central counterparties are exempted from licensing procedures when expanding the scope of their activities and services, provided they notify the competent authority and ESMA when opting to use this exemption.

This Regulation shall apply from 24 December 2024.

DIRECTIVES

1. Directive (EU) 2024/790 of the European Parliament and of the Council of 28 February 2024 amending Directive 2014/65/EU on markets in financial instruments

The Directive was adopted following a proposal by the European Commission to establish a continuous electronic stream of real-time updated data, enabling a comprehensive view of prices and volumes of equity and similar financial instruments traded on trading venues within the territory of the European Union. The resulting mechanism is referred to as the “consolidated tape”, which is expected to stimulate investment activity. Its creation forms part of the European Commission’s broader efforts to strengthen the international role of the euro, which includes the design and implementation of a consolidated tape covering corporate bond issuances in order to boost secondary trading in euro-denominated debt instruments.

The amendments were prompted by changes introduced to Regulation (EU) No 600/2014 through the newly adopted Regulation (EU) 2024/791, which removes major barriers to the creation of a consolidated tape and establishes an obligation to provide such data to consolidated tape providers.

Member States must transpose the Directive into national law by 29 September 2025.

2. Directive (EU) 2024/927 of the European Parliament and of the Council of 13 March 2024 amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, the provision of depositary and custodial services, and loan origination by alternative investment funds

The Directive was adopted following a review of the scope of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (AIFMs) and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010. Based on this review, the European Commission concluded that it is necessary to harmonize the rules applicable to AIFMs managing loan-originating AIFs and to clarify the standards applied to AIFMs delegating functions to third parties, ensure equal treatment of custodians providing safekeeping services, improve cross-

border access to depositary services, optimize the collection of supervisory data, and facilitate the use of liquidity management tools throughout the Union.

The Directive introduces the following amendments:

- The list of additional services in Article 6(4) of Directive 2011/61/EU is expanded to include the functions of a benchmark administrator under Regulation (EU) 2016/1011 of the European Parliament and of the Council and credit servicing activities in accordance with Directive (EU) 2021/2167 of the European Parliament and of the Council;
- The rules on delegation laid down in Directive 2011/61/EU are made consistent and are to apply to all functions listed in Annex I to that Directive, as well as to the list of additional services under Article 6(4);
- The amendments to Directive 2011/61/EU establish the right for AIFs to originate loans in all Member States, in order to ensure a uniform level of investor protection across the Union and facilitate access to finance for companies within the Union;
- AIFMs and loan-originating AIFs are required to diversify their risk and implement specific exposure limits where the borrower is a financial institution, with a view to reducing interconnectedness between loan-originating AIFs and other financial market participants;
- AIFMs and their staff are prohibited from borrowing from any AIFs they manage, and AIFMs are prohibited from managing loan-originating AIFs for the purpose of selling such funds to third parties, in order to mitigate conflicts of interest;
- The volume of duplicate reporting is reduced, and safeguards are introduced to ensure effective reuse of reported data by relevant competent authorities, including ESMA, EIOPA, and the ESRB, with a view to improving efficiency and reducing administrative burdens on AIFMs.
- The scope of data that may be requested from AIFMs for reporting purposes is expanded by removing limitations concerning core transactions, exposures, or counterparties, and by adding new categories of data subject to submission to competent authorities;
- AIFMs managing open-ended AIFs domiciled in a Member State are required to select and incorporate into the AIF's rules or instruments of incorporation at least two liquidity management tools from the harmonized list in Annex V, points 2–8 of Directive 2011/61/EU, in order to address redemption pressure under adverse market conditions;
- A new power is granted to the competent authorities of a host Member State of an AIFM to make a reasoned request to the competent authorities of the AIFM's home Member State to take supervisory measures against that AIFM, thereby enhancing supervisory effectiveness and cooperation;
- AIFMs are required to increase the flow of information provided to AIF investors to ensure better investor protection;
- Management companies of UCITS are required to justify to the competent authorities their delegation of functions and to provide objective reasons for such delegation, as well as to regularly provide information regarding their delegation arrangements;
- The depositary regime is extended to include CSDs in the custody chain where they provide safekeeping services to UCITS, to ensure investor protection and a regular flow of information between the UCITS asset custodian and the depositary;
- The competent authorities of the host Member State of a UCITS are granted the power to make a reasoned request to the competent authority of the UCITS' home Member State to

take supervisory measures against the UCITS in question, thereby improving cooperation and effectiveness in supervision.

Member States must transpose the Directive into national law by 16.04.2026.

This Regulation becomes effective on the twentieth day following its publication in the Official Journal of the European Union.

3. Directive (EU) 2024/1174 of the European Parliament and of the Council of 11 April 2024 amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities

The Directive introduces amendments to the framework governing the minimum requirement for own funds and eligible liabilities (MREL), as laid down primarily in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, and in Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules. The requirement applies to credit institutions and investment firms established in the European Union, as well as to entities falling within the scope of Directive 2014/59/EU or Regulation (EU) No 806/2014.

The amendments concern the following aspects:

- they create the possibility for institutions and entities that are subsidiaries of resolution entities but are not themselves subject to resolution to comply with the MREL of such institutions and entities by issuing instruments to the resolution entity and having those instruments purchased directly or indirectly by the resolution group;
- the rules on the scope of exposures to be deducted from the intermediate entity are adjusted where such exposures are to a wind-down entity that is not subject to an MREL determination;
- resolution authorities are required to carry out appropriate assessments of institutions and entities falling within the scope of Directive 2014/59/EU and Regulation (EU) No 806/2014 already in the process of preparing resolution plans, with a primary focus on whether the institution or entity performs critical functions;
- it becomes permissible for intermediate entities of banking groups headed by a holding company to comply with MREL on a consolidated basis, subject to safeguards ensuring that this option is used only in predefined cases and does not lead to a shortage of internal MREL-eligible resources within the resolution group; the determination of internal MREL on a consolidated basis for intermediate entities will be made at the discretion of the resolution authority and under specified conditions.
- It is envisaged that the rules laid down in Regulation (EU) No 575/2013 for the calculation of consolidated own funds must be taken into account when applying the eligibility criteria for liabilities that may be used to meet internal MREL on a consolidated basis. This requirement must also reflect the applicable provisions of Article 45b(3) of Directive 2014/59/EU and Article 12g(3) of Regulation (EU) No 806/2014 on the calculation of eligible liabilities that resolution entities may use to comply with their consolidated MREL.
- In the prevailing cases of liquidation, the entity applying the MREL framework is required to meet the conditions for a wind-down entity consistently throughout the Union. The new provisions on wind-down entities also apply to members of cross-border groups.

- In cases of resolution, resolution authorities are given the power to determine whether a subsidiary institution or entity qualifies as a wind-down entity where the resolution plan provides that it is feasible and credible for the institution or entity to be wound down under normal insolvency proceedings, or where the plan does not envisage the exercise of bail-in or write-down powers in respect of that institution or entity.
- For wind-down entities in respect of which the resolution authority has determined that the MREL must be higher than the amount sufficient to cover losses, an obligation is introduced to regularly report to their competent authorities and resolution authorities on the levels of eligible liabilities and liabilities that can be used for internal recapitalisation.

The deadline to transpose the Directive into the national legislation of the Member States is 13 November 2024, and Member States must apply the provisions from 14 November 2024.

This Regulation becomes effective on the twentieth day following its publication in the Official Journal of the European Union.

4. Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, branches of third-country institutions and environmental, social and governance risks

The Directive was adopted in line with the Strategy for Financing the Transition to a Sustainable Economy. The purpose of the amendments to Directive 2013/36/EU of the European Parliament and of the Council concerning supervisory powers, sanctions, branches of third-country institutions and environmental, social and governance (ESG) risks is to further harmonize the EU's banking supervisory framework and to deepen the internal market for banking services.

The Directive introduces detailed provisions addressed to the Member States to ensure that the actions of competent authorities, including members of their staff and management bodies, are independent and objective. It lays down minimum requirements to prevent conflicts of interest and to restrict the “revolving door” between the public and private sectors by providing for cooling-off periods, a ban on trading in instruments issued by supervised entities, and maximum term limits for the members of the relevant management bodies.

The Directive applies to banks, credit institutions, financial holding companies, and mixed-activity holding companies.

It grants the competent authorities the following powers:

- to withdraw the license of a credit institution deemed to be failing or likely to fail, where there are no reasonable prospects that private sector measures or supervisory action could prevent the failure within a reasonable timeframe;
- to bring certain financial holding companies and mixed-activity financial holding companies under their direct supervision and to exempt from approval a financial holding company or mixed-activity financial holding company established for the purpose of holding participations, under certain conditions;
- to be notified of material transactions by a supervised entity that may raise concerns about the prudential profile of the entity or indicate potential money laundering or terrorist financing activities;
- to intervene in the event of acquisitions of qualifying holdings, mergers or demergers;
- to assess acquisitions of qualifying holdings, including by tacit approval procedures, and to oppose such acquisitions;

- to access all necessary information about the parent undertaking of a third-country branch, provided by the supervisory authorities of the relevant third country, and to effectively coordinate their supervisory activities with the third-country authorities when licensing and supervising third-country branches;
- to impose, in accordance with national law, periodic pecuniary penalties on institutions, financial holding companies, mixed-activity holding companies, and members of their management bodies in their management function, senior management, key function holders, other material risk takers, and all other individuals found to be in breach of the national provisions transposing Directive 2013/36/EU, of their obligations under Regulation (EU) No 575/2013, or of decisions adopted by a competent authority pursuant to those provisions or that Regulation.

This Directive shall enter into force on the twentieth day following its publication in the Official Journal of the European Union.

Article 1(44)(c) and Article 1(45)(c) shall apply from 29 July 2024.

Member States shall adopt and publish, by 10 January 2026 at the latest, the laws, regulations and administrative provisions necessary to comply with this Directive.

5. Directive (EU) 2024/1640 of the European Parliament and of the Council of 31 May 2024 on the mechanisms to be put in place by Member States to prevent the use of the financial system for the purposes of money laundering or terrorist financing, amending Directive (EU) 2019/1937 and amending and repealing Directive (EU) 2015/849

This Directive aligns the EU's existing legal framework on anti-money laundering (AML), countering the financing of terrorism (CFT), and the prevention of weapons of mass destruction proliferation with the international standards adopted by the Financial Action Task Force (FATF) in February 2012. The Directive empowers Member States to apply the AML/CFT requirements to sectors not covered by Regulation (EU) 2024/1624 where they identify specific AML/CFT risks and threats that would affect their key economic sectors at national level.

The amendments ensure that supervisors have access to all information necessary to verify the knowledge and expertise of senior management, as well as their reputation, honesty and integrity, and require Member States to take appropriate measures to identify, assess and properly understand the risks of money laundering and terrorist financing, the risks of non-application and circumvention of targeted financial sanctions, and to develop a national strategy to mitigate these risks.

The following requirements are also introduced for Member States:

- to provide each other with access to their risk assessments and also to the Commission and the Anti-Money Laundering Authority, to effectively mitigate risks and ensure coordinated action at national level through the establishment of a body or mechanism to coordinate national responses, and to maintain and improve the quality of relevant statistics;
- to provide a comprehensive framework for the implementation of targeted financial sanctions through a system to identify, understand, manage and mitigate the risks of non-application or circumvention of targeted financial sanctions at EU and Member State level;
- to establish consistent rules for the collection and storage of information on beneficial owners of legal entities and legal forms in central registries, by requiring entities responsible for central registries to develop policies to prevent and manage conflicts of interest;
- to establish centralised automated mechanisms to speed up and improve the quality of access by the competent authorities to the identification data of holders of bank and payment

accounts, securities accounts, crypto-assets, safe deposit boxes, etc., while putting in place technical and organisational measures to ensure the security of the data collected.

This Directive shall enter into force on the twentieth day following its publication in the Official Journal of the European Union.

Member States are required to introduce the laws, regulations and administrative provisions into their national legislation by 10 July 2027 at the latest.

By way of derogation from the first subparagraph, Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with Article 74 by 10 July 2025 at the latest, with Articles 11, 12, 13 and 15 by 10 July 2026 at the latest and with Article 18 by 10 July 2029 at the latest.

6. Directive (EU) 2024/2810 of the European Parliament and of the Council of 23 October 2024 on multiple-vote share structures in companies seeking the admission of their shares to trading on a multilateral trading facility

The purpose of the Directive is to enhance the attractiveness of trading venues suitable for the listing of mainly SMEs, including SME growth markets and other multilateral trading facilities (MTFs), thereby improving their ability to raise capital on MTFs and reducing disparities between companies seeking admission to trading on the internal market by removing access barriers created by regulatory obstacles.

The Directive lays down common rules on multiple-vote share structures (MVSS) in companies seeking the admission of their shares to trading on MTFs, including SME growth markets, and which do not yet have shares admitted to trading on an MTF or a regulated market.

The Directive requires Member States to establish adequate safeguards to ensure that companies whose shares have not yet been admitted to trading on an MTF or a regulated market can exercise the right to adopt an MVSS, facilitating the admission of their shares to trading on an MTF. The adoption of an MVSS is not conditional upon the granting of enhanced economic rights to shares without enhanced voting rights.

Member States are required to provide a sound legal framework enabling companies with an MVSS structure to establish sufficient mechanisms for the adequate protection of shareholders who do not hold MVSS, by:

- ensuring that a company's decision to amend the MVSS structure in a way that affects the voting rights attached to shares is adopted by the general meeting with at least a qualified majority in accordance with national law, and that such a decision is subject to a separate vote by each class of shares whose rights are affected;
- limiting the impact of MVSS on the decision-making process of the general meeting by applying the measures laid down in the Directive.

The Directive sets out exhaustive transparency requirements regarding the information to be included in the prospectuses and annual financial reports of companies with an MVSS structure whose shares are or will be traded on an SME growth market.

This Directive shall enter into force on the twentieth day following its publication in the Official Journal of the European Union. Member States shall transpose the Directive into their national law by 5 December 2026 and shall notify the Commission thereof without delay.

7. Directive (EU) 2024/2811 of the European Parliament and of the Council of 23 November 2024 amending Directive 2014/65/EU as Directive (EU) 2024/2811 of the European Parliament and of the Council of 23 October 2024 amending Directive 2014/65/EU to enhance the attractiveness of public capital markets in the Union for

companies and to facilitate access to capital for small and medium-sized enterprises, and repealing Directive 2001/34/EC

The objective of the Directive is to streamline the admission-to-trading process and make the regulatory treatment of companies more flexible and proportionate to their size, to stimulate investment research on Union companies – particularly small- and mid-cap companies – and to create more favourable conditions for attracting potential investors.

The Directive introduces the following amendments to the existing Union legislation:

- the rules on unbundling investment research are adapted to revitalize the market and give investment firms greater flexibility in choosing how to pay for execution services and research, thus reducing instances where individual payments might be delayed;
- the market capitalization threshold is removed for companies for which joint payments for execution services and research are allowed, enabling investment firms to adopt the payment method they deem most appropriate while requiring them to inform clients whether they use a bundled or unbundled payment model for third-party execution and research services;
- where bundled payments are used, clients are granted the right to receive, upon request and on an annual basis, information on total costs attributable to third-party research provided to the investment firm, if known to the firm;
- investment firms' policies on bundled or unbundled payments must also include information on measures introduced to prevent or manage conflicts of interest arising from the use or provision of third-party research to clients in the course of providing investment services;
- investment firms are required to assess the quality, relevance, and value of the research they use to ensure that it contributes to better investment decision-making for their clients, especially when the research is directly distributed to clients or used in the firm's portfolio management services;
- organizational mechanisms are introduced to ensure that research complies with the EU code of conduct for issuer-sponsored research;
- competent authorities are empowered to suspend the distribution of issuer-sponsored research not prepared in line with the EU code of conduct;
- a specific segment of an MTF may apply for registration as an SME growth market, provided it is clearly separated from the rest of the MTF;
- issuers of financial instruments admitted to trading on an SME growth market that are also traded on another type of trading venue are required to comply with any obligations related to corporate governance or initial, ongoing, or ad hoc disclosure applicable to that other trading venue;
- the previous minimum free float requirement of 25% under Directive 2001/34/EC is reduced to 10%.

The Directive shall enter into force on the twentieth day following its publication in the Official Journal of the European Union. Member States shall bring into force the laws, regulations, and administrative provisions necessary to comply with this Directive by 5 June 2026, and shall inform the Commission thereof without delay.

8. Directive (EU) 2024/2994 of the European Parliament and of the Council of 27 November 2024 amending Directives 2009/65/EC, 2013/36/EU and (EU) 2019/2034 as regards the treatment of concentration risk towards central counterparties and of counterparty risk on centrally cleared derivative transactions

This Directive introduces amendments to Directive 2009/65/EC of the European Parliament and of the Council by establishing a harmonized set of rules for the management of

counterparty risk in derivative transactions entered into by undertakings for collective investment in transferable securities (UCITS), where such transactions are cleared by a central counterparty (CCP) that is either authorized or recognized in accordance with Regulation (EU) No 648/2012. The aim is to align the rules with that Regulation and facilitate the functioning of the internal market.

The Directive addresses specific barriers encountered in applying Directive 2009/65/EC in the context of central clearing by providing clarifications regarding the application of Directives 2013/36/EU and 2019/2034/EU. To safeguard financial stability within the Union and to appropriately mitigate the risk of contagion within the financial system, suitable measures must be put in place to facilitate the identification, management, and supervision of concentration risk stemming from exposures to CCPs. To this end, Directives 2013/36/EU and 2019/2034/EU are amended to encourage institutions and investment firms to adjust their business models in accordance with the new clearing requirements introduced by Regulation (EU) 2024/2987 of the European Parliament and of the Council (amending Regulation (EU) No 648/2012), and to enhance the overall risk management approach, taking into account the nature, scope, and complexity of market activity.

This Directive shall enter into force on the twentieth day following its publication in the Official Journal of the European Union. Member States shall bring into force the laws, regulations, and administrative provisions necessary to comply with this Directive by 25 June 2026, and shall inform the Commission thereof without delay.

DELEGATED REGULATIONS AND IMPLEMENTING REGULATIONS

In the past year 2024, approximately 54 various delegated regulations were published in the Official Journal of the European Union.

The main group among them consists of the delegated regulations and implementing regulations (a total of seven) adopted in connection with the application of Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (MiCA).

The second major group comprises delegated regulations (a total of five) adopted to clarify the application of Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (DORA).

2. Licensing activity, licensing regimes, notifications and certification

2.1. Licensing activity and licensing regimes

Investment Firms, Tied Agents, Crowdfunding service providers, Central Securities Depository, Investor Compensation Fund and Trading Venues

At the beginning of 2024, a license to operate as an investment firm was issued to Global Clearing House OOD. Over the course of the year, one procedure was initiated for the extension of an investment firm's license, which was discontinued at the applicant's request, and one decision was issued to revoke the license of an investment firm upon its request (voluntary withdrawal by European Brokerage House OOD).

As a result, by the end of 2024, the total number of investment firms stood at 58, including 19 banks¹ and 39 non-bank investment firms. The number of IFs (both banks and non-bank institutions) holding a full license (entitling them to trade and provide services related to financial instruments on their own account) was 38, while 15 IFs held a partial license under Art. 10, para. 2 of the Markets in Financial Instruments Act (MFIA).

In addition, in 2024, a notification was received from the National Bank of Slovakia (Národná Banka Slovenska – NBS) regarding the intention of Winners Investments o.c.p., a.s. – an investment firm licensed by the NBS – to carry out activities on the territory of the Republic of Bulgaria through a tied agent, Winners Group EOOD. By the end of the year, the completeness of the information received under the notification was confirmed. Also during the year, a notification was reviewed from the national competent authority of the Portuguese Republic (Comissão do Mercado de Valores Mobiliários – CMVM) concerning the intention of ActivMarkets – Empresa de Investimento S.A., an investment firm licensed by the CMVM, to operate on the territory of the Republic of Bulgaria, and the notification was confirmed. Since tied agents of investment firms from Member States are treated as branches, in 2024 the number of branches of investment firms from Member States and tied agents treated as such totalled 6 (4 branches and 2 tied agents).

In 2024, one license was issued for the provision of crowdfunding services (to Property Peers OOD). The license covers both core services under Article 2(1)(a) of Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937. In addition, one of the licensed providers (Afranga EOOD) applied for an extension of its issued license, and the proceedings concluded with the license being extended in early 2025.

Table 1. Licensing activity in relation to IFs, CSDs, trading venues and crowdfunding service providers

¹The number of investment firm banks includes those that operate on the territory of the country through a branch.

	Number as at 31.12.2023	Licenses issued	Licenses revoked	Number as at 31.12.2024
Investment firms, including:	53	1	1	53*
Non-banking institutions	34	1	1	34
Regulated market	1	0	0	1
Multilateral trading facility	2	0	0	2
Central securities depositories	1	0	0	1
Crowdfunding service providers	3	1	0	4

Notes: *IFs which operate in Bulgaria through a branch, a tied agent and under the terms of freedom of establishment are not included in the total number of non-bank investment firms.

In 2024, 9 applications for approval of a member of a management or supervisory body of IFs were considered, there were no rejections. Some of the proceedings are the result of the FSC's letters to the most recently licensed IFs that did not comply the composition of their management bodies with the applicable legislation or the members of these bodies were not approved in accordance with the MiFID II requirements.

In 2024 the FSC completed 1 assessment procedures for acquisition of qualified holdings of the capital or the votes in the general assembly of an investment firm was performed, resulting in no acquisition bans. Additionally, one proceeding was initiated at the end of the year in which the completeness of the documents was not confirmed. During the year no transfer of a qualifying holding was considered insofar as the qualifying holding acquired was the result of a capital increase of the IF.

In 2024, 9 applications were considered for exemption under Art. 5, para. 1, item 10 of the MFIA.

Of the total number of administrative procedures concerning investment firms completed in 2024, 3 were related to proceedings for the issuance, extension, and revocation of a license to operate as an investment firm, 2 concerned notification filings from Member States, 9 related to the approval of a member of a management or supervisory body of an investment firm, and 1 concerned the assessment of the acquisition of a qualifying holding. At the end of the year, 3 proceedings related to the activity of IFs were under consideration.

In 2024, one entity (Digitalen Ofis EOOD) was entered into the register of tied agents. During the year, three tied agents (Novas 2004 EOOD, Tolerance International EOOD, and BM Credit Group OOD) were deregistered – one compulsorily and two upon their own request. One new manager of a tied agent was approved during the year.

Within 2024, 3 proceedings were considered in connection with the activities of the Bulgarian Stock Exchange AD and the Central Depository AD. Two of the proceedings concerned the approval of amendments to the Rules of Procedure of the Bulgarian Stock Exchange AD: one approval was issued and the second proceeding was closed. One approval was issued for amendments to the Rules of Procedure of the Central Depository AD. No proceedings related to collective investment schemes were reviewed in 2024.

Two proceedings were initiated during the year concerning the activities of crowdfunding service providers, one of which was not concluded by year-end.

Table 2. Administrative procedures with respect to IFs, tied agents, trading venues, Central Securities Depository, data reporting service providers and the Investor Compensation Fund and crowdfunding service providers

	Not concluded as at 31.12.2023	New in 2024	Concluded in 2024	Not concluded as at 31.12.2024
Investment firms	3	15	15	3
Tied agents	0	5	5	0
Regulated market	0	2	2	0
Multilateral trading facilities	0	0	0	0
Organized trading facilities	0	0	0	0
Central securities depository	0	1	1	0
Data reporting service providers	0	0	0	0
ICF	0	0	0	0
Crowdfunding service providers	0	2	1	1
Other proceedings*	3	100	93	10

Note: *Replies to inquiries, requests for assistance and requested opinions in relation to the activities of investment firms, tied agents, trading venues, data reporting service providers, crowdfunding service providers and the CD.

Management companies, collective investment undertakings and alternative investment fund managers

In 2024, no licenses were issued or revoked for carrying out activities as a management company. During the year, two notifications were reviewed regarding the intention to acquire or increase a qualifying holding in a management company, with no prohibitions issued. The acquisitions resulted from capital increases. One notification was also reviewed concerning the transfer of a qualifying holding in a management company to multiple persons who did not individually acquire qualifying holdings.

In 2024, four authorizations were issued to management companies to organize and manage mutual funds (MF “Activa European Strategy,” MF “Bluesmart Premium Equity,” MF “Tration – Innovation and Technology,” and MF “ELANA Real Estate Fund”). One application for an additional authorization of this kind was submitted during the year. No proceedings were reviewed in 2024 regarding the transformation, termination, or deregistration of collective investment schemes.

One procedure was reviewed during the reporting year for the replacement of a management company of a mutual fund (replacement of Compass Invest AD with Impact Capital EAD for the management of MF “Plus”).

In 2024, two authorizations were issued to management companies to organize and manage national investment funds (NIF “Trend Bonds” and NIF “DSK Stability – Eurobonds”).

In 2024, no licenses were issued to operate as an AIFM. The license of one AIFM (“Concord Asset Management” AD) was extended with a new investment strategy. In the same year, the same AIFM was granted an authorization to manage and offer the units of an alternative investment fund (“Concord Fund – 9 Green” AD), which will be managed under the new investment strategy. During the reporting year, one person was approved as an authorised officer² of an AIFM, and one procedure was initiated to assess the acquisition of a qualifying holding in an AIFM, which was concluded in 2025.

In 2024, three AIFMs were registered under Articles 214 et seq. of the CISOUCA (“Prestige Capital Management” EOOD, “Trend Asset Management” AD, and “Bulgaria Fund Management” EOOD). Additionally, one approval was granted in a proceeding to amend the initial registration conditions of the company as a manager of a qualifying venture capital fund (“Alphastar Ventures” AD). Another such procedure was initiated during the year by the same qualifying venture capital fund and was concluded in the following reporting period. In 2024, one AIFM was deregistered under Articles 214 et seq. of the CISOUCA (“Karoll Capital Management” EAD).

Table 3. Licensing activity in relation to MCs, AIFMs and collective investment undertakings

	Number as at 31.12.2023	Issued licenses/ permits / registrations	Revoked licenses/ permits	Number as at 31.12.2024
Management companies	31	0	0	31*
Common funds	108	4	0	112
National investment funds (NIFs)	14	2	0	16
Alternative Investment Fund Managers - license	4	0	0	4
Alternative Investment Fund Managers - registration	21	3	1	23

Notes: * The number of MCs also includes the branch of KBC Asset Management NV, Belgium.

In 2024, 11 proceedings were considered for approval of a new member of the management or supervisory body of MCs, no rejections were given. In the reporting period, 2 notifications regarding the intention to acquire, respectively increase a qualifying holding in a management company and 1 notification regarding the intention to transfer such holding.

In 2024, 78 procedures under Art. 18 of CISOUCA for approval of changes in the documents of MFs were considered - 36 approvals for changes to the rules under Art. 13, para. 2 of the CISOUCA for mutual funds, 15 approvals for changes of portfolio valuation rules and determination of the net asset value, 9 approvals for changes of risk assessment and

² The authorised officer is a special type of business agent, called in Bulgarian “prokurist”, who is authorised with a general power-of-attorney to represent the respective merchant and to manage all its affairs. The representative powers of the authorised agent cannot be limited to certain actions but it can be provided, that the authorized agent represents the merchant only together with one or more of the key executives.

management rules, 15 approvals for changes in the contracts for depository services and 3 approval for the replacement of a depository bank.

During the year under review, 8 proceedings under Article 179 of the CISOUCA were considered for approval of changes to the rules and contracts for depository services of the NIFs.

In 2024, a total of 7 proceedings relating to AIFMs were completed and 2 approvals/authorisations in relation to AIFs managed by them were considered.

Table 4. Administrative procedures in relation to MCs, AIFMs, AIFs and collective investment undertakings

	Not concluded as at 31.12.2023	New in 2024	Concluded in 2024	Not concluded as at 31.12.2024
Management companies	2	12	14	0
Common funds	2	83	83	2
National investment funds	1	9	10	0
Alternative investment fund managers	2	5	7	0
Alternative investment funds	2	0	2	0
Other proceedings*	4	5	9*	0

Notes: *Replies to inquiries and requested opinions on the activities of management companies and collective investment schemes, national investment funds, AIFs and AIFMs.

Public companies, Special Purpose Investment Companies and other issuers of securities

In 2024 there is one new license issued for operating as a special purpose investment company for investments in real estates as well as no refusals to issue a license to SPICs.

In 2024, there were no forcefully revoked licenses of special purpose investment companies.

In 2024, one SPIC license was revoked following an explicit voluntary request and the completion of a share buyback procedure under the terms and conditions of Article 149b of the POSA -Primer Property BG REIT (SPIC for investments in real estates).

In 2024 there were no decisions to issue an authorization for termination of special purpose investment companies, for revoking their licenses and for approvals of liquidators under Art. 33 of the SPICSCA.

In 2024 there were no decisions to issue an authorization for transformation of a special purpose investment company under Art. 32 of the SPICSCA.

As of the end of 2023, there are 49 companies licensed to operate as SPICs, and at the end of 2024 their number remains unchanged 49. For comparison, a total of 82 companies have received a license to operate as a special purpose investment company, of which 34 SPICs have their licenses revoked as of 31.12.2024.

Table 5. Licensing activity with respect to SPICs

	Number as at 31.12.2023	Licenses issued in 2024	Licenses revoked in 2024	Number as at 31.12.2024
SPICs including:	49	1	1	49
SPICs investing in receivables	9	0	0	9
SPICs investing in real estates, including:	40	1	1	40
SPICs (agricultural land)	7	0	-	7

Irrespective of the public status of Special Purpose Investment Companies, given the exceptional nature of their scope of business, regarding special purpose investment companies, there are stricter regulatory requirements which require prior approval by the FSC for changes in their articles of association and other foundation acts of special purpose investment companies in connection with changing a depository bank, approval of third parties under Art. 27, para. 4 of SPICSCA, approval of amendments and supplementation to contracts with third parties under Art. 27, para. 4 of SPICSCA, and in the other statutory documents related to the approval of the Risk Management Rules and persons as members of Board of directors. In this sense, the main part of the administrative procedures regarding SPICs, apart from the procedures for issuing and revoking licenses, are related to requested approval procedures.

In relation to the activity of Special Purpose Investment Companies and the regulatory requirements for that activity according to the current SPICSCA in 2024 the FSC reviewed and issued decisions on a total of 60 proceedings, as follows:

- The FSC has issued 9 decisions for the approval of the planned changes in the Articles of Association or for the approval of new Articles of Association;
- The FSC has issued 1 decision for the approval of Risk Management Rules of SPICs when participating in the establishment or in the acquisition of shares or shares in a specialized company under Art. 28, para. 1 of the SPICSCA;
- The FSC has issued 33 decisions for the approval of persons as members of the Board of directors of special purpose investment companies;
- The FSC issued 1 decision granting approval for the appointment of an authorized agent of a special purpose investment company.
- The FSC issued 10 decisions granting approval for the outsourcing of activities to a third party under Article 27(4) of the SPICSCA or for amendments/addenda to the agreement with a third party under Article 27(6) of the SPICSCA in relation to the activity of the SPIC.
- The FSC has issued 3 decisions for the approval of replacing of the depository bank of a special purpose investment company.

In the reporting year, the FSC issued 1 decision refusing to approve amendments to the Articles of Association of an SPIC, and 1 decision refusing to approve the appointment of a new member of the Board of Directors of a SPIC.

In 2024, 1 decision was also issued to discontinue proceedings for granting approval of a new member of the Board of Directors of an SPIC.

During the reporting year, no refusals were given to issue an approval of authorised officers, for appointing a third-party as per Art. 27, para. 4 of the SPICSCA, of Risk management Rules or to replace a depository bank of a special purpose investment company, and there was no termination of proceedings under such applications.

The current SPICSCA, in addition to the activities of the SPICs, secures the application of Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation (Regulation (EU) 2017/2402) is ensured in relation to of securitisation companies and STS compliance verification agents. In 2024, the FSC received no applications and, accordingly, no licenses/decisions were issued related to proceedings regarding securitisation companies and STS compliance verification agents.

Other listed companies (outside special purpose investment companies) and issuers of securities are not subject to licensing, but to entry or deregistration from the special register of public companies and other issuers of securities under Art. 100j, para. 2, item 5 of the POSA, kept by the FSC.

In 2024, two new listed companies (excluding SPICs) – Bulmetal AD and Smart Organic AD – were included in the relevant register.

Eight new issuers of securities were included in the public register maintained by the FSC in 2024: Vinprom Haskovo AD, Besatur AD, Financial Assets AD, Campus Property Development AD, Kambana Invest AD, Finance Security Group AD, Nova Industrial Company AD, and M Car Group AD.

During the reporting period, a total of 10³ companies were deregistered from the FSC register, including six listed companies – Prime Property BG AD, Europe Online Trade AD, Yambolen AD, Zaharni Zavodi AD, Bulvesta Holding AD, and Svinekompleks Nikolovo AD – and four issuers of securities – Money Plus Management AD, Finance Security Group AD, Bulgarplod-Sofia AD, and Hipolink EAD.

It should be noted that during the reporting year, one additional listed company was ex officio deregistered from the register maintained by the FSC as a result of the regulator's powers under the Public Offering of Securities Act – Capital Concept Limited AD.

In the reporting year 2024, no refusals were issued and no proceedings were terminated concerning the registration or deregistration of listed companies or issuers of securities in the register maintained by the FSC.

The total number of listed companies (excluding SPICs) and the other issuers of securities registered as at the end of 2024 was 234.

³ The total number of 10 deregistered companies (listed companies and issuers of securities) does not include one company that was ex officio deregistered as a listed company during the period.

Table 6. Listed companies and other issuers of securities

	Number as at 31.12.2023	Registered companies	Deleted companies	Number as at 31.12.2024
Listed companies and other issuers*	234	10****	10***	234**

Notes:

* The number of listed companies and other issuers does not include collective investment schemes. Listed companies and other issuers are not licensed as such, but are subject to registration and deregistration.

** The number of listed companies and other issuers does not include special purpose investment companies, which have revoked SPIC licenses, but still have the status of listed companies.

*** The total number of 10 deregistered companies (listed companies and issuers of securities) does not include 1 company that was ex officio deregistered as a listed company during the period, but includes 1 company that, as of 01.01.2024, held a SPIC license and was listed among the SPICs, but during 2024, following a completed voluntary license refusal procedure, had its SPIC license revoked and was subsequently also deregistered as a listed company.

**** The total of 10 registered companies represents the newly registered listed companies in 2024 following successful initial public offerings, and newly registered issuers of securities as a result of approved prospectuses for admission to trading on a regulated market of bond issues by those companies.

Regarding the activity of public companies and issuers of securities, in 2024, in addition to the registration and de-registration proceedings of public companies and issuers, a total of 49 applications for approval of prospectuses and 1 supplement were submitted, and a total of 46 prospectuses were approved during the year and 1 supplement to a prospectus was approved, which in turn represents an increase of 53% compared to the previous period (2023), when a total of 30 prospectuses were approved

In 2024, two decisions were issued to terminate proceedings for the approval of a prospectus.

No decisions to refuse approval of prospectuses were issued in 2024.

The structure of the 46 prospectuses approved in 2024 is as follows:

- 6 prospectuses for the initial public offering of shares;
- 1 prospectus for the admission to trading on a regulated market of an issue of shares representing the registered capital of the company, including for the initial public offering of the share issue;
- 5 prospectuses for initial public offering of bonds;
- 6 prospectuses for initial public offering of warrants;
- 28 prospectuses for admission to trading on a regulated market of bond issues.

In 2024, no prospectuses were approved for public offering and/or for the admission of securities issues on European markets.

No decisions to suspend proceedings for prospectus approval were issued during the reporting year.

At the end of the year, there were 10 ongoing proceedings for the approval of various types of prospectuses, of which 6 were concluded in the first quarter of 2025, while the remaining 4 are expected to be concluded in the second quarter of 2025.

Aside from the approved prospectuses for initial public offering of securities (respectively after successful subscription and entry of the capital increase in the commercial register) or for admission to trading on a regulated market of securities, in 2024 a total of 38 issues of securities were entered in the FSC register, distributed as follows:

- 20 issues of shares were registered, as a result of a subsequent capital increase of listed companies;
- 28 bond issues were registered as a result of approved prospectuses for admission to trading on a regulated market of bonds, subscribed under the terms of Art. 205, para. 2 of the Commercial Act and their issuance did not create an obligation to publish a prospectus under Regulation (EU) 2017/1129, as they are offered to less than 150 persons.
- 4 issues of bonds were registered as a result of successfully completed initial public offerings; and
- 2 issues of warrants were registered as a result of successfully completed initial public offerings.

During the reporting year, a total of 20 issues of securities were deleted from the register of public companies and other issuers of securities, kept by the FSC, as follows:

- a total of 7 share issues were deleted;
- 13 bond issues were deleted;

In 2024 there were no refusals to delete an issue of securities from the register kept by the FSC, including due to refusal to deregister the listed company or issuer of the securities, and no such proceedings were terminated.

In 2024, a total of 3 proceedings concerning registered takeover bids were reviewed – 2 takeover bids and 1 squeeze-out bid under Article 157a of the Public Offering of Securities Act. Regarding the takeover bids reviewed in 2024, the following decisions were issued:

- – 1 decision imposing a temporary ban on the publication of a takeover bid, and
- – 2 decisions according to the FSC's meeting minutes not to impose a final ban on the publication of the bids.

No decisions imposing a final ban on the publication of a takeover bid were issued in 2024.

During the reporting year 2024, no decisions were issued to terminate proceedings concerning the review of registered takeover bids and/or squeeze-out bids.

As of the end of 2024, there are no pending proceedings regarding consideration of tender offers.

In the reporting year 2024, a total of 4 proceedings were initiated for the approval of transformation documents with the participation of listed companies under Art. 124, para. 1 of the POSA, and during the year 3 approvals of transformations with the participation of listed companies were issued.

As of 31.12.2024, there is 1 pending transformation approval proceeding under Art. 124, para. 1 of the POSA, which ended in January 2025.

In 2024, no decisions have been issued for inclusion of an auditor in the list of independent auditors, approved by the Deputy Chair of the FSC in charge of the Investment Activity Supervision Division and there were no refusals or terminated proceedings for approval of documents for transformation with participation of listed companies.

In 2024, no applications have been submitted for approval of a draft joint venture agreement.

Table 7. Administrative procedures with respect to SPICs, PCs and other issuers

	Not concluded as at 31.12.2023	New in 2024	Concluded in 2024	Not concluded as at 31.12.2024
SPICs	0	0	0	0
PCs and issuers	9	108	97	11
Other proceedings*	0	57	57	0

Note: *The replies to inquiries, requests for opinions, interpretations of regulatory provisions, opinions on complaints and other issues related to the activities of listed companies, issuers and SPICs were reported as other proceedings in 2024.

Insurance and reinsurance

In the end of 2024, the licensed insurance and reinsurance companies based in the Republic of Bulgaria are 37, the non-life insurers are 26, life insurers are 10 , and 1 company is a reinsurer for non-life and life insurance.

Licensing procedures for granting an initial license or a supplementary license for a new class of insurance or for extending an existing license to cover additional risks.

In 2024, the Financial Supervision Commission adopted two decisions to issue initial licenses, as follows:

1. – By Decision No. 279-OZ of 23 April 2024, the FSC granted an initial license to MV Insurance JSC (in the process of being established) to carry out insurance activities with the right of access to the single market for the classes of insurance under items 1, 2, 3, 8, 9, 16, and 18 of Annex No. 1, Section II, point (A) to the Insurance Code;
2. – By Decision No. 474-OZ of 16 July 2024, the FSC granted an initial license to BRM Barents JSC (in the process of being established) to carry out insurance activities with the right of access to the single market for the classes of insurance under items 1, 2, 3, 4, 5, 6, 7, 8, 9, 16, and 18 of Annex No. 1, Section II, point (A) to the Insurance Code.

Table 8**Licensing activity in relation to insurance and reinsurance**

	Number as at 31.12.2023	Licenses issued	Licenses revoked	Number as at 31.12.2024
Insurers and reinsurers including:	35	2**	-	37
Non-life insurance	24	2	-	26
Life insurance	10	-	-	10
Non-life reinsurance companies	1*	-	-	1
Life reinsurance companies	1	-	-	1
Branches of foreign insurers	10	-	-	9
Insurance brokers	344	9	3***	350

* GP REINSURANCE EAD is the only local reinsurer with a non-life and life insurance license.

** Initial general insurance license issued to EMV Insurance EAD and BRM Barents EAD.

*** Refers to voluntarily deleted insurance brokers pursuant to Art. 312, par. 1, item 11 of the IC.

Proceedings related to the acquisition or increase of qualifying holdings in insurance companies or authorizations for the transformation of insurance companies.

In 2024, the FSC issued four decisions concerning the acquisition of qualifying holdings in insurance companies, as follows:

1. By Decision No. 23-OZ of 16 January 2024, the FSC prohibited DAOS EAD, UIC 130659413, from acquiring an indirect qualifying holding in the capital of Insurance Joint-Stock Company OZK-Insurance AD, UIC 121265177, and Insurance Company OZOK INS AD, UIC 200140730, through the direct acquisition of 100% of the capital of EL EM IMPEX EOOD, UIC 122073062;

2. By Decision No. 372-OZ of 4 June 2024, the FSC terminated proceedings initiated on a notification regarding the acquisition of an indirect qualifying holding in the capital of Insurance Company EIG RE AD, UIC 130427863, through the acquisition of a direct qualifying holding in the insurer's capital by Corporate Advisors EOOD, UIC 831760308, due to the withdrawal of the notification;

3. By Decision No. 746-OZ of 22 October 2024, the FSC approved the acquisition by Delfin S.à r.l., a company incorporated under the laws of the Grand Duchy of Luxembourg and registered in the Luxembourg Trade Register under No. B 117 420, with registered office at 7 Rue de la Chapelle, Luxembourg L-1325, represented by Mr. Romolo Bardin, of an indirect qualifying holding of 12.505% of the share capital and 12.715% of the voting rights in Generali Insurance AD, UIC 030269049, and an indirect qualifying holding of 12.5% of the share capital and 12.71% of the voting rights in GP Reinsurance EAD, UIC 200270243;

4. By Decision No. 880-OZ of 17 December 2024, the FSC approved the acquisition by Generali CEE Holding B.V. of a direct qualifying holding of 100% of the capital of UNITED HEALTH INSURANCE FUND DOVERIE INSURANCE JOINT STOCK COMPANY AD, UIC 121911566, and the acquisition by Assicurazioni Generali S.p.A. of an indirect qualifying holding of 100% of the capital of UNITED HEALTH INSURANCE FUND DOVERIE INSURANCE JOINT STOCK COMPANY AD, UIC 121911566.

Proceedings related to the application of regulatory regimes concerning insurers whose license has been revoked

In 2024, the FSC issued 3 decisions on the application of the regulatory regimes under the Insurance Code to insurers with revoked licenses:

1. By Decision No. 17-OZ of 11 January 2024, the FSC extended the liquidation period of IC Euroamerican AD, UIC 124634117, by two years, effective from 10 January 2024;
2. By Decision under Protocol No. 47 of 4 June 2024, following a proposal from the Guarantee Fund, the FSC resolved to submit a request to the competent court for the initiation of insolvency proceedings against IC Euroamerican AD, UIC 124634117;
3. By Decision under Protocol No. 47 of 4 June 2024, the FSC dismissed as irregular, inadmissible, and incomplete the application for approval of a short-term plan titled: “Alignment of eligible basic own funds of the cooperative to cover the minimum capital requirement” submitted by the Trade Union Mutual Insurance Co-Operative - TUMICO

Proceedings on the application of regulatory regimes concerning the GF

In 2024, the FSC adopted two decisions regarding the application of regulatory regimes to the Guarantee Fund:

1. By Decision No. 730-GF of 15 October 2024, the FSC approved the draft budget for administrative expenses, investments in assets for own activities, and other related expenses of the Guarantee Fund for 2025;
2. By Decision No. 838-GF of 3 December 2024, the FSC determined the amount of the contribution payable by insurers offering in the Republic of Bulgaria compulsory Motor Third Party Liability insurance and Accident insurance, as well as the contribution of all insurers to the Security Fund.

Proceedings on approvals of members of management and supervisory bodies of insurance and reinsurance companies and insurance holding companies and of persons performing key functions pursuant to Art. 84 of the IC.

In the reporting period, the FSC issued 72 decisions approving members of the management and supervisory bodies of insurance and reinsurance undertakings and insurance holding companies pursuant to Art. 84 of the IC.

1. By Decision No. 13-O3/11.01.2024, Ms. Mihaela Krasimirova Stanimirova was approved as a member of the Management Board of Generali Insurance AD, UIC 030269049;
2. By Decision No. 63-Ж3/01.02.2024, Mr. Plamen Petrov Vasilev was approved as Head of the Internal Audit Function at LIFE INSURANCE COMPANY SAGLASIE AD, UIC 175247407;
3. By Decision No. 84-O3/13.02.2024, Mr. Tihomir Petiov Minchev was approved as a member of the Board of Directors and Executive Director of GROUPAMA INSURANCE EAD, UIC 131421443;
4. By Decision No. 95-O3/15.02.2024, Ms. Maria Stoyanova Maslarova-Garkova was approved as an independent member of the Supervisory Board of LEV INS Insurance Company AD, UIC 121130788;
5. By Decision No. 123-Ж3/05.03.2024, Mr. Tihomir Petiov Minchev was approved as a member of the Board of Directors and Executive Director of Groupama Life Insurance EAD, UIC 131272330;
6. By Decision No. 124-O3/05.03.2024, Ms. Zhaneta Malinova Dzhambazka was approved as a member of the Supervisory Board of GP Reinsurance EAD, UIC 200270243;
7. By Decision No. 141-Ж3/14.03.2024, Mr. Paul Svoboda was approved as a member of the Supervisory Board of Grawe Bulgaria Life Insurance EAD, UIC 130321963.

8. By Decision No. 154-O3/01.02.2024, Mr. Nikola Plamenov Popov was approved as Head of the Internal Audit Function at LIFE INSURANCE COMPANY SAGLASIE AD, UIC 200103397;

9. By Decision No. 155-ГФ/01.02.2024, the FSC approved Mr. Nikolay Ivanov Kozhiharov as Head of the Compliance Function at the Guarantee Fund;

10. By Decision No. 43-O3/25.01.2024, Cyber Level Ins OOD, UIC 130031337, represented by Managing Director Pavel Antonov Nikolov, was approved as a member of the Supervisory Board of Insurance Company Lev Ins AD, UIC 121130788;

11. By Decision No. 18-O3/11.01.2024, the application of Ms. Roza Stefanova Prokopova for approval as Head of Internal Audit at Insurance Joint-Stock Company OZK - Insurance AD, UIC 121265177, was rejected.

12. By Decision No. 280-O3 of 23.04.2024, Sonya Slavcheva was approved as an independent member of the Supervisory Board of DZI Non-Life Insurance EAD, UIC 121718407.

13. By Decision No. 281-ЖЗ of 23.04.2024, Sonya Slavcheva was approved as an independent member of the Supervisory Board of DZI Life Insurance EAD, UIC 121518328.

14. By Decision No. 335-O3 of 16.05.2024, Elina Dimitrova Selenska was approved as a member of the Management Board of Grawe Bulgaria Life Insurance EAD, UIC 130321963.

15. By Decision No. 430-ГФ of 27.06.2024, Stefan Stoilkov was approved as a member of the Management Board and Executive Director of the Guarantee Fund, UIC 121446665.

16. By Decision No. 431-ГФ of 27.06.2024, Mr. Konstantin Velez was approved as a member of the Management Board of the Guarantee Fund, UIC 121446665.

17. By Decision No. 195-O3 of 02.04.2024, the proceeding for approval of a member of the Management Board of IC Lev Ins AD, UIC 121130788, was terminated due to withdrawal of the application.

18. By Decision No. 463-O3 of 11.07.2024, Nikolaus Heinrich Frey, born on 20.11.1969, a citizen of the Swiss Confederation and of the United Kingdom of Great Britain and Northern Ireland, was approved as a member of the Board of Directors of Euroins Insurance Group AD, UIC 175394058.

19. By Decision No. 515-O3 of 30.07.2024, Zdravka Ivanova Petrova was approved as an independent member of the Board of Directors of Asset Insurance AD, UIC 203066057.

20. By Decision No. 493-O3 of 23.07.2024, Ms. Catherine Paule Grangé-Ponchon, born on 15.10.1976, a citizen of the Republic of France, was approved as a member of the Board of Directors of Groupama Insurance EAD, UIC 131421443.

21. By Decision No. 494-ЖЗ of 23.07.2024, Ms. Catherine Paule Grangé-Ponchon, born on 15.10.1976, a citizen of the Republic of France, was approved as a member of the Board of Directors of Groupama Life Insurance EAD, UIC 131272330.

22. By Decision No. 495-O3 of 23.07.2024, Mihaela Stanimirova was approved as Executive Director of GP Reinsurance EAD, UIC 20027243.

23. By Decision No. 496-O3 of 23.07.2024, Mihaela Stanimirova was approved as Executive Director of Generali Insurance AD, UIC 030269049.

24. By Decision No. 515-O3 of 30.07.2024, Zdravka Ivanova Petrova was approved as an independent member of the Board of Directors of IC Asset Insurance AD, UIC: 203066057

25. By Decision No. 567-O3 of 19.08.2024, Boyka Zhekova was approved as a member of the Management Board of Lev Ins AD.

26. By Decision No. 581-3X of 22.08.2024, Ivan Kostov was approved as a member of the Board of Directors of Euroins Insurance Group AD.

27. By Decision No. 582-3X of 22.08.2024, Iva Falina was approved as a member of the Board of Directors of Euroins Insurance Group AD.
28. By Decision No. 583-ЖЗ of 22.08.2024, Vladislav Milev was approved as an executive member of the Board of Directors of Life Insurance Institute AD.
29. By Decision No. 602-O3 of 29.08.2024, Viktor Spasov was approved as an independent member of the Board of Directors of Fi Health Insurance AD.
30. By Decision No. 603-O3 of 29.08.2024, Kremena Pateva-Petkova was approved as a member of the Board of Directors of IC Euroins AD.
31. By Decision No. 604-O3 of 29.08.2024, Todor Danailov was approved as a member of the Board of Directors of IC Euroins AD.
32. By Decision No. 605-O3 of 29.08.2024, Irena Lalova was approved as an independent member of the Board of Directors of IC Euroins AD.
33. By Decision No. 606-O3 of 29.08.2024, Tsvetan Tsvetanov was approved as a member of the Management Board of IC Lev Ins AD.
34. By Decision No. 607-O3 of 29.08.2024, Marina Vedar was approved as a member of the Management Board of IC Lev Ins AD.
35. By Decision No. 608-O3 of 29.08.2024, Petar Nesterov was approved as Head of the Compliance Function of IC DallBogg: Life and Health AD.
36. By Decision No. 609-O3 of 29.08.2024, Vladimir Valkanov was approved as Head of the Compliance Function of IC MV Insurance EAD.
37. By Decision No. 633-O3 of 10.09.2024, Milena Gencheva was approved as a member of the Board of Directors of Euroins Insurance Group AD.
38. By Decision No. 635-O3 of 10.09.2024, Plamen Filipov was approved as Head of the Internal Audit Function of OZOF Doverie IC AD.
39. By Decision No. 648-ЖЗ of 16.09.2024, Iva Falina was approved as a member of the Board of Directors of IC Euroins Life EAD;
40. By Decision No. 649-O3 of 16.09.2024, Hristina Martsenkova was approved as a member of the Management Board and Executive Director of IC Allianz Bulgaria AD.
41. By Decision No. 650-ЖЗ of 16.09.2024, Hristina Martsenkova was approved as a member of the Management Board and Executive Director of IC Allianz Bulgaria Life AD.
42. By Decision No. 697-O3 of 08.10.2024, Mr. Ivaylo Stefanov Stoyanov was approved to lead the Compliance Function of United Health Insurance Fund Doverie Insurance Joint-Stock Company AD, UIC 121911566.
43. By Decision No. 726-O3 of 15.10.2024, Ms. Preslava Lyubomirova Nikolova was approved as an executive member of the Board of Directors of Insurance Company EIG Re AD, UIC 130427863.
44. By Decision No. 727-O3 of 15.10.2024, Mr. Petar Veselinov Avramov was approved as an independent member of the Board of Directors of Insurance Company EIG Re, UIC 130427863.
45. By Decision No. 728-O3 of 30.07.2024, Ms. Yoanna Tsvetanova Tsoneva was approved as an executive member of the Board of Directors of Insurance Company EIG Re, UIC 130427863.
46. By Decision No. 729-O3 of 15.10.2024, Mr. Yanko Georgiev Nikolov was approved as a member of the Board of Directors of Insurance Company EIG Re AD, UIC 130427863.
47. By Decision No. 742-O3 of 22.10.2024, Mr. Aleksandar Radosvetov Gospodinov was approved as a member of the Board of Directors and Executive Director of BRM Barents EAD, UIC 207459862.

48. By Decision No. 743-O3 of 22.10.2024, Mr. Lyubomir Emilov Gavrilov was approved as an independent member of the Board of Directors of BRM Barents EAD UIC 207459862.

49. By Decision No. 744-O3 of 22.10.2024, Ms. Tatyana Ivanova Staneva-Dikova was approved as a member of the Board of Directors and Executive Director of BRM Barents EAD, UIC 207459862.

50. By Decision No. 745-O3 of 22.10.2024, Ms. Ilinka Angelova Petrova was approved as a head of the compliance function of Insurance Company Bulgaria Insurance, UIC 131233651.

51. By Decision No. 756-O3 of 29.10.2024, Ms. Rumyana Gesheva Betova was approved as an independent member of the Board of Directors of INSURANCE COMPANY EUROINS AD, UIC 121265113.

52. By Decision No. 800-O3 of 15.11.2024, Mr. Yalvan Dimitrov Kostov was approved as a member of the Board of Directors of Insurance Company Euroins AD, UIC 121265113.

53. By Decision No. 815-O3 of 2.11.2024, Mr. Aleksandar Valentinov Kolev was approved as a member of the Board of Directors of Insurance Company Euroins AD, UIC 121265113.

54. By Decision No. 816-O3 of 26.11.2024, Mr. Boris Hristov Palichev was approved as a member of the Board of Directors of Insurance Company Energy AD, UIC 831040933.

55. By Decision No. 817-O3 of 22.10.2024, Mr. Boris Hristov Palichev was approved as a member of the Management Board and Executive Director of IC ALLIANZ BULGARIA UIC 040638060.

56. By Decision No. 818-ЖЗ of 22.10.2024, Mr. Boris Hristov Palichev was approved as a member of the Management Board and Executive Director of INSURANCE JOINT STOCK COMPANY ALLIANZ BULGARIA LIFE UIC 040293319.

57. By Decision No. 856-O3 of 10.12.2024, Mr. Veselin Asenov Vladimirov was approved as an executive member of the Management Board and IC LEV INS AD UIC 121130788.

58. By Decision No. 879-O3 of 17.12.2024, Ms. Tsvetana Vladimirova Nikolova was approved as the head of the internal audit function of Insurance Company Lev Ins AD, UIC 121130788.

59. By Decision No. 882-ЖЗ of 17.12.2024, Ms. Catherine Paul Granger-Ponchon, citizen of the French Republic, was approved as a member of the Supervisory Board of Groupama Life Insurance EAD, UIC 131272330.

60. By Decision No. 883-ЖЗ of 17.12.2024, Ms. Florence Marie Martel, citizen of the French Republic, was approved as a member of the Supervisory Board of Groupama Life Insurance EAD, UIC 131272330.

61. By Decision No. 884-ЖЗ of 17.12.2024, Mr. Plamen Ilarionov Pantev was approved as an independent member of the Supervisory Board of Groupama Life Insurance EAD, UIC 131272330.

62. By Decision No. 885-ЖЗ/17.12.2024, Mr. Tihomir Petiov Minchev was approved as a member of the Management Board and Executive Director of Groupama Life Insurance EAD, UIC 131272330;

63. By Decision No. 886-ЖЗ/17.12.2024, Ms. Selene Edith Bolard was approved as a member of the Management Board and Executive Director of Groupama Life Insurance EAD, UIC 131272330;

64. By Decision No. 887-ЖЗ of 17.12.2024, Ms. Katerina Stefanova Stefanova was approved as a member of the Management Board of Groupama Life Insurance EAD, UIC 131272330.

65. By Decision No. 888-O3 of 17.12.2024, Ms. Catherine Paul Granger-Ponchon, citizen of the French Republic, was approved as a member of the Supervisory Board of Groupama Insurance EAD, UIC 131421443.

66. By Decision No. 889-O3 of 17.12.2024, Ms. Florence Marie Martel, citizen of the French Republic, was approved as a member of the Supervisory Board of Groupama Insurance EAD, UIC 131421443.

67. By Decision No. 890-O3/17.12.2024, Mr. Tihomir Petiov Minchev was approved as a member of the Management Board and Executive Director of Groupama Insurance EAD, UIC 131421443;

68. By Decision No. 891-O3 of 17.12.2024, Mr. Plamen Ilarionov Pantev was approved as an independent member of the Supervisory Board of Groupama Insurance EAD, UIC 131421443.

69. By Decision No. 892-O3/17.12.2024, Ms. Selene Edith Bolard was approved as a member of the Management Board and Executive Director of Groupama Insurance EAD, UIC 131421443;

70. By Decision No. 893-O3 of 17.12.2024, Ms. Katerina Stefanova Stefanova was approved as a member of the Management Board of Groupama Insurance EAD, UIC 131421443.

71. By Decision No. 906-O3 of 27.12.2024, Mr. Vladimir Simunovich citizen of the Republic of Austria was approved as a member of the Supervisory Board of Insurance Company UNIQA AD, UIC 040451865.

72. By Decision No. 907-ЖЗ of 27.12.2024, Mr. Frederick Ivo h. Borgesrs citizen of the Republic of the Kingdom of Belgium, was approved as a member of the Supervisory Board of Insurance Company UNIQA Life AD, UIC 831626729.

Proceedings for the approval of auditors of insurance and reinsurance companies

In 2024, the FSC issued 12 decisions for the approval of auditors under Articles 101 and 101a of the Insurance Code, as follows:

1. By Decision No. 125-ГФ of 05.03.2024, the FSC approved Grant Thornton OOD, UIC 831716285, as the audit firm under Article 101, paragraph 1, second sentence of the Insurance Code, to perform an audit and certification of the annual financial statement, annual reports, disclosures and appendices for 2024 of the Guarantee Fund.

2. By Decision No. 296-O3 of 30.04.2024, the FSC approved Ekovis Audit Bulgaria OOD, UIC 131039504, and Audit Correct OOD, UIC 121519031, as joint auditors under Article 101, paragraph 1 of the Insurance Code to carry out a joint audit and certification of the annual financial statement for 2024, the annual reports, disclosures and appendices under Article 126, paragraph 1, item 2 of the Insurance Code of Insurance Joint Stock Company Asset Insurance AD, UIC 203066057.

3. By Decision No. 333-O3 of 16.05.2024, the FSC approved PricewaterhouseCoopers Audit OOD, UIC 121499387, and HLB Bulgaria OOD, UIC 121871342, as joint auditors under Article 101, paragraph 1 of the Insurance Code to carry out a joint audit and certification of the annual financial statement for 2024, the annual reports, disclosures and appendices under Article 126, paragraph 1, item 2 of the Insurance Code of Insurance Sole-owned Joint stock Company Bulstrad Vienna Insurance Group EAD, UIC 000694286.

4. By Decision No. 334-ЖЗ of 16.05.2024, the FSC approved PricewaterhouseCoopers Audit OOD, UIC 121499387, and HLB Bulgaria OOD, UIC 121871342, as joint auditors under Article 101, paragraph 1 of the Insurance Code to carry out a joint audit and certification of the annual financial statement for 2024, the annual reports, disclosures and appendices under Article 126, paragraph 1, item 2 of the Insurance Code of Sole-owned Joint stock Company Bulstrad Life Vienna Insurance Group EAD, EAD, UIC 831211284.

5. By Decision No. 519 of 01.08.2024, the FSC approved Ekovis Audit Bulgaria OOD, UIC 131039504, as the audit firm to carry out the audit and certification of the 2024 annual financial statement, reports, disclosures, and appendices of Fi Health Insurance AD.

6. By Decision No. 568-O3 of 19.08.2024, the FSC approved PricewaterhouseCoopers Audit OOD, UIC 121499387, and HLB Bulgaria OOD, UIC 121871342, as joint auditors under Article 101, paragraph 1 of the Insurance Code to carry out the audit and certification of the 2024 annual financial statement, reports, disclosures, and appendices under Article 126, paragraph 1, item 2 of the Insurance Code of IC Allianz Bulgaria AD.

7. By Decision No. 569-ЖЗ of 19.08.2024, the FSC approved PricewaterhouseCoopers Audit OOD, UIC 121499387, and HLB Bulgaria OOD, UIC 121871342, as joint auditors under Article 101, paragraph 1 of the Insurance Code to carry out the audit and certification of the 2024 annual financial statement, reports, disclosures, and appendices under Article 126, paragraph 1, item 2 of the Insurance Code of IC Allianz Bulgaria Life AD.

8. By Decision No. 570-O3 of 19.08.2024, the FSC approved PricewaterhouseCoopers Audit OOD, UIC 121499387, and HLB Bulgaria OOD, UIC 121871342, as joint auditors under Article 101, paragraph 1 of the Insurance Code to carry out the audit and certification of the 2024 annual financial statement, reports, disclosures, and appendices under Article 126, paragraph 1, item 2 of the Insurance Code of IC Energy AD.

9. By Decision No. 601-O3 of 29.08.2024, the FSC approved RSM BG OOD, UIC 121435206, and Crowe Bulgaria Audit EOOD, UIC 203465145, as joint auditors under Article 101, paragraph 1 of the Insurance Code to carry out the audit and certification of the 2024 annual financial statement, reports, disclosures, and appendices under Article 126, paragraph 1, item 2 of the Insurance Code of IC Armeec AD.

10. By Decision No. 631-O3 of 10.09.2024, the FSC approved KPMG Audit OOD and BDO AFA OOD as joint auditors to perform the audit and certification of the 2024 annual financial statement, reports, disclosures, and appendices of Generali Insurance AD.

11. By Decision No. 632-O3 of 10.09.2024, the FSC approved KPMG Audit OOD and BDO AFA OOD as joint auditors to perform the audit and certification of the 2024 annual financial statement, reports, disclosures, and appendices of GP Reinsurance EAD.

12. By Decision No. 634-ЖЗ of 10.09.2024, the FSC approved Crowe Bulgaria Audit EOOD and RSM BG OOD as joint auditors to perform the audit and certification of the 2024 annual financial statement, reports, disclosures, and appendices of JSC CCB Life EAD.

As a result of the entry into force of the Amendment to the Independent Financial Audit Act (published in State Gazette No. 79 of 17.09.2024), effective 20.09.2024, the approval regime for auditors under Article 101a of the Insurance Code was repealed pursuant to §102, item 2 of the Transitional and Final Provisions of the said law. Accordingly, insurers, reinsurers, insurance holdings, and mixed-activity financial holdings with a registered office in the Republic of Bulgaria are no longer required to obtain prior approval from the FSC for their appointed auditors under Article 101 of the Insurance Code.

Proceedings for the Registration or Deregistration of Insurance Brokers

In 2024, a total of 13 decisions were issued concerning the application of registration regimes in respect of insurance intermediaries.

- **Nine decisions** for entry of insurance brokers in the register kept by the FSC;
- Three decisions were issued for the deregistration of insurance brokers from the FSC register at their request.
- One decision was issued for the registration of an organization authorized to provide professional training to insurance brokers.

The number of insurance intermediaries with headquarters in the Republic of Bulgaria as of 31.12.2024 is as follows:

- Insurance brokers are 350
- Insurance agents as of 31.12.2024 are 6 151, including - 2 371 legal entities, 145 - sole proprietors and 3,635 - individuals;
- As of 31.12.2023, there are 9 ancillary insurance intermediaries, including – 9 legal entities.

Table 9
Registration in the register of insurance agents

	Number as at 31.12.2023	Number as at 31.12.2024
Insurance agents* including:	6282	6151
- Legal entities	2331	2,371
- Sole traders	157	145
- Natural persons	3782	3,635
Ancillary insurance intermediaries	12	9

During the reporting period, 117 decisions were issued in proceedings for licences, permits, approvals or registrations:

- 2 decisions on initial licensing of insurance companies;
- 4 decisions on the acquisition of qualifying holdings in insurance companies;
- 2 decisions on application of regulatory regimes to the Guarantee Fund;
- 3 decisions on the application of the regulatory regimes under the Insurance Code to insurers with revoked licenses:
- 72 decisions on approvals of members of management and supervisory bodies of insurance and reinsurance companies and insurance holding companies and of persons performing key functions in insurance or reinsurance companies;
- 12 decisions for approval of auditors of insurance or reinsurance companies and insurance holdings;
- 9 decisions for entry of insurance brokers;
- 3 decisions for deletion of insurance brokers;
- 1 for recognition of legal capacity of a responsible actuary.
- 1 decision to register a training organization;
- 8 decisions to suspend or terminate proceedings.

Table 10. Administrative procedures in respect of insurance and reinsurance

	Not concluded as at 31.12.2023	New in 2024	Concluded in 2024	Not concluded as at 31.12.2024
Insurance companies	6	103	96	13
Insurance intermediaries	24	45	64	5
Other proceedings	5	4	8	1
Total	35	152	168	19

Supplementary pension insurance

During the reporting 2024 there were no applications for issue of licenses or authorizations, or for transformation of pension insurance companies and/or supplementary pension funds and funds for benefit payment, for voluntary winding-up of existing companies, and the FSC did not establish grounds to withdraw issued pension licenses.

In view of the above, the number of licensed PICs at the end of 2024 was 10, and the number of SPFs was 32, including 10 UPFs 10 PPFs, 10 voluntary pension funds and two voluntary pension funds with occupational schemes, and as at 31.12.2024 one of them was not active.

In connection with the payout phase of pensions from the universal pension funds that started in 2021 (amended and supplemented in SIC, SG No. 19 of 5 March 2021) and the entitlements of insured persons to programmed withdrawal of funds upon eligibility to a supplementary old-age lifelong pension, in 2024 the FSC rendered 1 decision in connection with administrative proceedings initiated for registration of a fund for programmed withdrawal. The funds for benefit payments are separate properties whose assets are segregated from the assets of pension insurance companies and the pension funds and are subject to independent reporting, independent financial auditing and application of supervisory measures. They are deemed to be established by enactment of the decisions of the commission and are subject to entry in the BULSTAT register and the register under Art. 30, para. 1, item 13 of the FSCA.

In view of the above, by the end of 2024, a total of 20 FBPs have been established and are operational, including 10 FPLPs and 10 FPWs.

The total number of entities for which the Social Insurance Supervision Division carries out preliminary and ongoing supervision at the end of 2024 increased to 62.

Table 81. Licensing activity in relation to supplementary pension insurance

	Number as at 31.12.2023	Issued licenses/ permits/ decisions	Revoked licenses/ permits/ decisions	Number as at 31.12.2024
Pension insurance companies (PICs)	10	-	-	10
Supplementary pension funds (SPFs)	32	-	-	32
Fund for payment of lifelong pensions (FPLP)	10	-	-	10
Funds for programmed withdrawals (FPWs)	9	1	-	10

Preliminary supervision also includes actions for issuing an authorization for the acquisition of a direct or indirect qualified holding in the capital of a pension insurance company and approval of the members of the management and control bodies of the pension insurance companies, as well as the approval of documents of fundamental importance for the activity of the pension insurance company and the supplementary pension insurance and funds for benefit payment managed by them. During the reporting period, the proceedings related to the authorization and approval regimes within the competence of the administrative authority were initiated at the request of the interested parties, both as a result of changes in the regulatory requirements that came into force, and in connection with the improvement of the management systems.

In 2024, the Financial Supervision Commission (FSC) issued 10 decisions approving amendments and supplements to the rules governing the organization and operation of supplementary pension insurance funds. These amendments were necessitated by the need to further develop the rules, align them with recent legislative changes, and reflect adjustments in pricing policies and the procedures for making payments.

Pursuant to Article 121e, paragraph 10 of the Social Insurance Code (SIC), 10 administrative proceedings were initiated in 2024, resulting in 9 decisions by the FSC approving members of the management and supervisory bodies of pension insurance companies. In one of the proceedings initiated in 2024, additional information and documentation were requested from the applicant and other competent entities and state authorities. The decision of the administrative authority in this case was rendered in the next reporting period.

During the reporting year a total of 5 proceedings were initiated for preliminary coordination of selection of auditors to perform audit and certification of the annual financial statements for 2024 of pension insurance companies and the funds they manage, and as a result, the administrative authority issued decisions to agree on the choice of proposed auditors. For the remaining pension insurance companies, this obligation no longer applies, as the

amendments to the Social Insurance Code (SIC), introduced through the Act amending and supplementing the Independent Financial Audit Act (promulgated in State Gazette No. 79 of 17 September 2024), abolished the requirement for prior coordination of the selection of audit firms performing financial audits of pension insurance companies and the funds managed by them. The aim of this change is to reduce the administrative burden and ensure alignment with the requirements applicable to other entities in the non-bank financial sector.

In 2024, one administrative proceeding was initiated under Article 192b, paragraph 5 in conjunction with Article 192a, paragraph 2 of the SIC, resulting in an FSC decision to register a fund for programmed withdrawals in the register under item 13 of Article 30, paragraph 1 of the FSCA.

During the reporting year one administrative proceeding was also initiated, and a decision was issued by the FSC to approve a risk coefficient to be used by a pension insurance company in calculating guaranteed lifelong old-age pensions, based on the amount of assets in individual accounts exceeding the gross contributions paid.

In 2024, 9 official proceedings were initiated to determine the minimum rate of return in the management of the assets of the supplementary mandatory pension insurance funds and to approve a technical interest rate and biometric mortality tables, which are applied in the calculation of pension reserves by pension insurance companies, which manage a supplementary voluntary pension insurance fund. As a result, 4 decisions were issued to determine the minimum rate of return of universal pension funds, 4 decisions to determine the minimum rate of return of professional pension funds and 1 decision to approve a technical interest rate and biometric mortality tables to be applied when calculating the pension reserves as of 31.12.2024.

Table 12. Administrative procedures regarding supplementary pension insurance

Object of the procedure	Incomplete as at 31.12.2023	New in 2024	Concluded in 2024	Incomplete as at 31.12.2024
Approval of rules for the organization and operation of a universal pension fund, professional pension fund, voluntary pension fund or voluntary pension fund with occupational schemes	-	10	10	-
Approval of a member of a management or control body in a pension insurance company	-	10	9	1
Approval of the selection of auditors to audit and certify the annual financial statements of the pension	-	5	5	-

insurance company and the pension funds and funds for benefit payment managed by it				
Registering a fund for programmed withdrawal	-	1	1	-
Approval of the risk coefficient used to determine the amount of the guaranteed supplementary lifelong old-age pension	-	1	1	-
Proceedings initiated ex officio	-	9	9	-

In the reporting year an ongoing review of other documents submitted by the companies and the custodian banks was carried out, which, although not subject to approval, are checked from the point of view of their legality, and in case of any discrepancies in their contents, those were requested to be removed.

In 2024, in the register kept by the FSC under Art. 30, para. 1, item 14 of the FSCA of the social insurance intermediaries of the pension insurance companies, the following circumstances are entered:

Contracts signed	2024	2023	Contracts terminated	2024	2023
Contracts concluded with social insurance intermediaries-natural persons(SII-NP)	2,294	2,486	Terminated contracts with SII-NP	1,871	3,959
Contracts concluded with social insurance intermediaries- legal entities (SII-LE)	188	163	Terminated contracts with SII-LE	98	72
Authorized natural persons by SII-LE	3,758	5,294	Withdrawn authorization of NP from SII-LE	3,484	3,046
Total:	6,240	7,943	Total:	5,453	7,077

2.2. Notifications

Investment activity

In 2024, 44 notifications were received from IFs from EU Member States who intend to operate on the territory of the Republic of Bulgaria under the conditions of free provision of services, including through a tied agent established in another Member State. 40 IFs have ceased their passports for provision of investment activities and services on the territory of the Republic of Bulgaria under the conditions of free provision.

During the reporting year, 1 notification from an IF from another Member State to establish a branch on the territory of the Republic of Bulgaria (ActiveMarkets - Impresa de Invescimento S.A.) and 1 notification to operate through a tied agent (Winners Group Ltd, Slovakia) were processed.

During the period, four notifications were received (one of which was an update of an existing notification) concerning the implementation of measures to facilitate access to multilateral trading facilities (MTFs) or organised trading facilities (OTFs). No notifications were received in the reporting year regarding the establishment of a representative office in the territory of the Republic of Bulgaria.

In view of the above, the total number of IFs from Member States that can operate in our country at the end of 2024 was 2011 (without the representative offices).

During the reporting year notifications were received from management companies from EU Member States in connection with their intention to offer units of 81 classes of securities from 24 funds/sub-funds of collective investment schemes from Member States on the territory of the Republic of Bulgaria. During the period, additional notifications were received for registration of new classes of securities of already notified funds and sub-funds. For the same period notifications were received for termination of the offering of a total of 60

classes of securities, of 37 sub-funds of collective investment schemes by Member States. Towards the end of 2024 the total number of the offered classes of securities of collective investment schemes from member states, which operate in our country, is 1986 classes of securities of 367 funds/sub-funds of collective investment schemes from Member States.

In 2024, 2 notifications were received from management companies from the Member States for carrying out activities on the territory of other Member States under the terms of free provision of services. The total number of management companies from the EU providing services on the territory of Bulgaria is 32.

In 2024, 3 notifications were received from AIFMs from an EU Member State which intend to operate on the territory of the Republic of Bulgaria. 1 AIFM notification from an EU Member State has been terminated. The total number of AIFMs from Member States that plan to operate in our country at the end of 2024 was 37.

In 2024, notifications were received in connection with the offering of 80 AIFs, respectively sub-funds, from EU Member States on the territory of the Republic of Bulgaria. Also, 18 alternative investment funds have terminated their passporting. The total number of AIF from Member States offered in Bulgaria at the end of 2024 to 270.

In 2024, notifications were received in connection with the offering of 29 European venture Capital Funds (EuVECA) from an EU Member State on the territory of the Republic of Bulgaria and notifications of termination of offering of 9 funds. The total number of EuVECA funds from Member States offered in Bulgaria at the end of 2024 is 169.

In 2024, one notification under Article 23(3) of Regulation (EU) No 909/2014⁴ was reviewed concerning the free provision of services in the territory of the Republic of Bulgaria by a central securities depository (Verdipapirsentralen ASA – Euronext Securities Oslo).

No notifications were received during the reporting period in connection with the marketing of European social entrepreneurship funds (EuSEF).

In 2024, 15 new notifications were received for the provision of services on the territory of the Republic of Bulgaria from providers of crowdfunding services from Member States. One of these notifications concerned an update, and since the initial notification had not been received, the company was entered in the register in 2024 based on the information from the ESMA register, with the received update reflected accordingly. The total number of this type of notifications by the end of 2024 is 31.

During the reporting year 2024, the FSC was notified through the notification portal created and maintained by ESMA under the Prospectus Regulation for a total of 112 notifications, of which 43 notifications for new prospectuses and 69 notifications for supplements to prospectuses of companies from other EU member states intending to carry out public offering of securities on the territory of the Republic of Bulgaria.

During the commented period, there were no notifications from listed companies from the Republic of Bulgaria intending to carry out a public offering of securities in the territory of another EU Member State.

⁴Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories, and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

Table 13. Notifications of foreign companies intending to operate on the territory of the Republic of Bulgaria

	Number as at 31.12.2023	New and concluded in 2024	Terminated in 2024	Number as at 31.12.2024
Investment firms	2,002	49	40	2,011
Management companies	30	2	0	32
Collective investment schemes (classes)	1965	81	60	1986
Alternative investment scheme managers	35	3	1	37
Alternative investment funds	208	80	18	270
European Venture Capital Funds (EuVECA)	149	29	9	169
European Social Entrepreneurship Funds (EuSEF)	1	0	0	1
Central securities depositories	4	1	0	5
Crowdfunding service providers	17	15	1	31
Prospectuses	389	112	0	501
Insurance companies	430	9 (declared intention to operate)	7 (declared intention to cease operations)	432
Insurance intermediaries	2,180	152 (declared intention to operate)	37 (declared intention to cease operations)	2,295
Institutions for occupational retirement provision	-	-	-	-

In 2024, a total of 27 notifications were reviewed from two investment firms (IFs) licensed by the FSC in connection with the free provision of services, without establishing a branch, in the territory of other Member States (Factori IF AD and MK Brokers IF AD). Two of these notifications concerned the termination of a notification.

During the reporting period, a decision was issued imposing a coercive administrative measure on an investment firm licensed by the FSC, prohibiting the IF from carrying out activities in the territory of a Member State under the conditions of the free provision of services or through the establishment of a branch or tied agent.

In 2024, no notifications for opening a branch of a Bulgarian IF were considered.

In 2024, no notifications were received from management companies of AIFMs from the Republic of Bulgaria for carrying out activities on the territory of other Member States under the conditions of free provision of services or through a branch. One notification from a DM licensed by the FSC to offer the shares of a MF managed by a MC on the territory of the Republic of Austria (Bluesmart Premium Equity SWF) has been examined.

To date, Central Depository AD has not initiated notifications for the provision of services in other Member States in its capacity as a central securities depository licensed by the FSC.

In 2024, there were no notifications from FSC-licensed data reporting service providers on the provision of services on the territory of other Member States.

During the reporting period, the FSC did not submit any certificates of approval of prospectuses for securities issued in the Republic of Bulgaria for their admission to trading on foreign markets.

Table 14. Notifications of Bulgarian companies intending to operate on the territory of other Member States

	Number as at 31.12.2023	Considered in 2024	Terminated in 2024	Number as at 31.12.2024
Investment firms	324	25	2	347
Management companies	3	0	0	3
Collective investment schemes	20	1	0	21
Prospectuses	4	0	0	4
Data reporting services	1	0	0	1

Insurance and reinsurance

In the end of 2024, a total of 304 notifications were received on the intention of insurance companies and insurance firms domiciled in other Member States to carry out or cease operation in the territory of the Republic of Bulgaria under the conditions of the freedom to provide services or the right of establishment, as well as to extend the scope of the notification sent to the FSC in a previous period.

For 2024, 152 notifications were received regarding the intention of insurance intermediaries from EU Member States for distribution of insurance products on the territory of the Republic of Bulgaria under the terms of freedom to provide services or right of establishment (through a branch), as well as 37 notifications regarding intermediaries who requested suspension of their mediation activity.

In view of the above, the total number of insurance intermediaries from Member States who have the right to distribute insurance products on the territory of the Republic of Bulgaria under the terms of right of establishment (through a branch) or freedom to provide services in December 2024 stands at 2,295.

For 2024, 9 notifications were received regarding the intentions insurance companies from EU Member States to operate as insurers on the territory of the Republic of Bulgaria under the terms of freedom to provide services or right of establishment (through a branch), as well as 7 notifications regarding insurance companies who requested suspension of their insurance activity.

In view of the above, the total number of insurance companies from Member States who have the right to operate as insurers on the territory of the Republic of Bulgaria under the terms of right of establishment (through a branch) or freedom to provide services in December 2024 stands at 432.

In 2024 2 notifications were sent to the competent authorities of EU Member States for the intention of insurance companies domiciled in the Republic of Bulgaria to carry out or cease operation on their territory, as well as to expand the scope of the notification sent to the FSC in the previous period.

In 2024 5 notifications were sent to the competent authorities of EU Member States for the intention of insurance intermediaries domiciled in the Republic of Bulgaria to carry out or cease operation as insurance intermediaries on their territory, as well as to expand the territorial scope of the notification sent to the FSC in the previous period.

As of the end of 2024, the number of insurance companies domiciled in other EU and EEA Member States, for which notifications have been sent to the FSC for their intention to operate on the territory of the Republic of Bulgaria under the conditions of freedom to provide services, amounts to on 432. The total number of insurance companies with registered office on the territory of the Republic of Bulgaria, which have stated their intention to carry out insurance activity on the territory of other EU Member States under the conditions of freedom to provide services, is 22.

At the end of 2024, the number of insurance intermediaries from Member States that have stated their intentions to operate as insurance intermediaries on the territory of the Republic of Bulgaria under the terms of the freedom to provide services and right of establishment (through a branch), is 2295. The total number of insurance intermediaries domiciled in the Republic of Bulgaria that have stated their intentions to operate as insurance intermediaries on the territory of EU Member States under the terms of the freedom to provide services and right of establishment is 67 intermediaries.

At the end of the period, there are 9 insurers from EU Member States operating on the territory of the Republic of Bulgaria under the terms of the right of establishment (through a branch).

There are 7 insurance branches established on the territory of the Republic of Bulgaria, which as of 31.12.2023 carry out non-life insurance activity, while the branches carrying out life insurance activity are two.

Table 15. Number of insurers operating on the territory of the Republic of Bulgaria, under the terms of right of establishment (through a branch)

No.	LIST OF INSURERS WITH HEADQUARTERS IN A MEMBER STATE CARRYING OUT NON-LIFE INSURANCE ACTIVITIES IN THE REPUBLIC OF BULGARIA UNDER THE TERMS OF RIGHT OF ESTABLISHMENT /BRANCHES/	
1	AVP P&S S.A., BULGARIA BRANCH	FRANCE
2	CARDIFF - NON-LIFE INSURANCE - BULGARIA BRANCH	FRANCE
3	COMPAGNIE FRANÇAISE D'ASSURANCE POUR LE COMMERCE EXTÉRIEUR CA- BULGARIA BRANCH KCHT	FRANCE
4	ATRADIUS CRÉDITO Y CAUCIÓN S.A. DE SEGUROS Y REASEGUROS BULGARIA BRANCH	SPAIN
5	GRAZER WECHSELSEITIGE VERSICHERUNG AG (BULGARIA BRANCH, SOFIA)	AUSTRIA
6	COLONNADE INSURANCE SA - BULGARIA BRANCH	LUXEMBOURG
7	PORSCHE INSURANCE AG-BULGARIA BRANCH	AUSTRIA
LIST OF INSURERS WITH HEADQUARTERS IN A MEMBER STATE CARRYING OUT LIFE INSURANCE ACTIVITIES IN THE REPUBLIC OF BULGARIA UNDER THE TERMS OF RIGHT OF ESTABLISHMENT /BRANCHES/		
8	METLIFE EUROPE D.A.C. – BULGARIA BRANCH	IRELAND
9	CARDIFF– LIFE INSURANCE - BULGARIA BRANCH	FRANCE

The FSC received a notification, Ref. No. RG-10-95-3 of 30.09.2024, from Colonnade Insurance S.A. – Bulgaria Branch LP regarding a change in the registered office and business address of the insurer from a Member State: 1 Rue Jean-Pierre, 2350 Luxembourg.

The FSC received a notification, Ref. No. RG-10-68-1 of 18.04.2024, as well as a notification received via the CBN platform on 16.04.2024, from the competent authority of Luxembourg regarding the termination of the activities of AIG Europe S.A. LP on the territory of the Republic of Bulgaria.

As of the end of 2024, no notifications have been received from insurers with headquarters in the Republic of Bulgaria, who have declared their intention to operate under the right of establishment on the territory of another country.

Supplementary pension insurance

No notifications were received in 2024 by institutions for occupational retirement provision from EU Member States and institutions - PEPP providers, intending to operate on the territory of the Republic of Bulgaria as well as no notifications of local pension insurance companies intending to operate in the territory of the EU, including to provide PEPP to PEPPsavers.

2.3. Certification

Investment activity

In 2024, two examination sessions were held for obtaining the right to practice as a financial instruments broker and as an investment consultant – in May 2024 and in November 2024. A total of 105 individuals were admitted to the examinations, of whom 21 candidates were admitted for the financial instruments broker license examination and 84 candidates for the investment consultant license examination. A total of 37 people passed the examinations (12 for brokers and 25 for investment consultants). Certificates for the right to operate were issued to the 37 persons who passed the examination.

In 2024, one decision was issued to terminate proceedings for admission to the examination for acquiring the right to practice as a financial instruments broker, while no such decisions were issued for the investment consultant examination.

Additionally, six certificates were issued in 2024 as a result of recognition of professional qualifications – five for the right to practice as an investment consultant and one for the right to practice as a financial instruments broker.

In the reporting 2024 no refusals were issued to recognise the acquired qualification to operate as a broker of financial instruments or an investment consultant.

One decision was issued in 2024 to terminate proceedings for the recognition of acquired qualifications for the activity of investment consultant, and no such decisions were issued for financial instruments brokers.

In the reporting year 2024, no decisions were issued to revoke the right to carry out activities as a financial instruments broker or investment consultant at the initiative of the supervisory authority.

Likewise, no decisions were issued to revoke the right of an individual to carry out activities as a financial instruments broker and/or investment consultant following voluntary waiver by the certificate holder.

Table 16. Dynamics of certified persons (no.)

	2019	2020	2021	2022	2023	2024
Investment consultants	23 (13)	2 (0)	21 (17)	18 (10)	20 (10)	30 (25)
Brokers of financial instruments	(17)	(0)	16 (15)	18 (17)	(17)	13 (12)

Note: The table shows the total number of persons who acquired the right to perform the activity determined by law during the respective year, and in brackets are marked the persons who received the legal capacity in question after passing an exam at the FSC. The change in the number of persons possessing the respective qualification includes both the permits for carrying out activity issued and revoked during the reporting period.

Insurance activity

During the reporting year, 1 decision was issued for recognition of qualification of a responsible actuary.

Supplementary pension insurance

During the reporting year, there were no submitted applications in the Social Insurance Supervision Division for recognition of legal capacity of a responsible actuary.

Table 17. Dynamics of persons certified by the Insurance Supervision Division (ISD) and Social Insurance Supervision Division (SISD)

	2020	2021	2022	2023	2024
Actuaries	-	-	4 (4)	-	1

Note: The table shows the total number of persons who acquired the right to perform the activity determined by law during the respective year, and in brackets are marked the persons who received partial legal capacity after passing an exam at the FSC. The change in the number of persons possessing the respective qualification includes both the permits for carrying out activity issued and revoked during the reporting period.

3. Supervisory activity

3.1. Off-site supervision

Investment firms. Central Depository AD. Regulated market and multilateral trading systems. Investor Compensation Fund. Crowdfunding service providers

The analysis of the information regularly received by the FSC ensures monitoring and periodic assessment of the condition of the supervised entities and the results of their activities. The goal is constant monitoring of compliance with the regulations by investment firms. This affects both the financial status and capital adequacy of each investment firm, as well as their activities. The reception and review of the information allows the supervisory body to react in a timely manner to established inconsistencies with regulatory requirements, in order to achieve the statutory objectives of the regulator - to protect the interests of investors and users of services and ensure transparency and information for market participants.

During the reporting period, 15,352 inspections were carried out, including:

- 134 inspections on the financial conditions of investment firms in accordance with the requirements of Art. 43, para. 1 of Ordinance No. 50;
- 13,246 inspections of concluded transactions with financial instruments admitted to trading on a regulated market;
- 149 inspections for compliance with the requirements for capital adequacy and liquidity of investment firms on a separate and consolidated basis under Art. 42 of Ordinance No. 50;
- 56 inspections of reports on the results of the performed monitoring of the risks according to the requirements of Art. 50 of Ordinance № 38 on the requirements for the activity of investment firms.

- 67 inspections were carried out in connection with the requirement of Art. 60, para. 2 of the MFIA, according to which the investment firm provides the FSC with a list of the persons who hold direct or indirect qualified shareholdings, as well as data on the votes held by them in the general meeting.
- 595 inspections were carried out in connection with the requirement of Art. 77n, para. 12 of the POSA, according to which the investment firm is obliged to submit to the FSC a report on customer assets as of the last day of the previous month.
- 77 inspections of submitted reports in accordance with the requirements of Art. 55 of Ordinance No. 38 of 21.05.2020 on the requirements for the activity of investment firms (Ordinance No. 38) regarding received customer complaints and results of their processing, as well as lawsuits related to the activity of the IF, respectively against members of the management body and its control body and against its contractual employees, as well as for the decisions made on the pending cases, if any;
- 100 inspections of submitted reports in accordance with the requirements of Art. 56 of Ordinance No. 38 on transactions and activities with financial instruments for own account and for the account of clients in third countries;
- 49 inspections of received notifications with minutes of meetings of the Board of Directors of the BSE AD in accordance with the BSE Rules of Procedure;
- 785 inspection on notifications, received under Art. 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.
- 38 inspections of annual financial statements on a separate and consolidated basis for 2023 were inspected, which were received by the FSC in connection with the requirement of Art. 128, para. 4 of the MFIA.
- 33 inspections of received reports from settlement internalizers for the aggregated volume and value of all transactions with securities for which settlement is carried out outside the securities settlement systems in accordance with the requirement of Art. 9 of Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (Regulation (EU) No. 909/2014);
- 11 inspections were also carried out on the received reports on the number and value of monetary sanctions in connection with the collected and distributed sanctions regarding failed settlement according to Art. 71n of Ordinance No. 8.
- 17 inspections of monthly reports for reporting failed settlement under Delegated Commission Delegated Regulation (EU) 2018/1229 of 25 May 2018 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline.

118 inspections due to complaints, reports and inquiries from natural persons, legal entities and government authorities were carried out. The majority of the cited complaints are directed against companies that do not have an investment brokerage license issued by the FSC and/or against websites/platforms for trading in financial instruments managed by such persons.

In 2024, the list of companies providing investment services and activities without the required license was regularly updated on the FSC website.

In 2024, 11 opinions were prepared regarding recovery plans provided by investment firms.

During the reporting period, as a result of provided access to the information system of Central Depository AD, 53 requests for providing information electronically were submitted.

A total of 3 circular letters were sent during the reporting period: Two circular letters were sent to investment firms and banks acting as investment firms requesting information on their activities in 2024 for the purpose of developing risk profiles. One circular letter was sent to investment firms and banks acting as investment firms in connection with publicly reported information on a global IT outage that affected the operations of numerous credit and/or financial institutions worldwide. Firms were required to confirm whether their operations had been affected, report any technical issues related to their information systems (including cloud services), and disclose whether there were problems with the exchange of information between MCs/AIFMs and depositaries.

Twelve letters were sent to investment firms regarding data collection by the EBA and ESMA for the review of the prudential framework applicable to investment firms.

One circular letter was sent to investment firms concerning restrictive measures imposed on Iraq under Regulation (EC) No 1210/2003. The FSC requested information on established business relationships with clients who are shareholders or parties to portfolio management contracts and who are included in the lists of persons, entities, and bodies subject to those restrictive measures.

The budget for the administrative expenses of the Investor Compensation Fund (ICF) for 2024 was approved, along with an amendment to the ICF's staff establishment plan, effective as of January 2025.

Three letters were sent to crowdfunding service providers as part of the ongoing remote supervision process, requesting information under Article 16 of Regulation (EU) 2020/1503. The responses were compiled and submitted to ESMA.

In line with the Unified Methodology developed by the Specialized Administrative Directorate "Financial Intelligence" of the State Agency for National Security (SANS) and the FSC for assessing money laundering and terrorist financing (ML/TF) risk in the investment activity, life insurance, and voluntary pension insurance sectors, an ML/TF risk assessment was conducted for 33 non-bank investment firms. Based on this assessment, the 2024 annual plan for specialized supervision regarding the implementation of anti-money laundering and counter-terrorism financing measures was developed.

Collective investment undertakings

Collective investment schemes and management companies

The scope of the off-site supervision performed by the FSC with regard to CISs and MCs covers the annual financial statements of CISs and MCs regularly submitted to the FSC, the six-month financial statements and the monthly balance sheets for CISs, and quarterly reports for MCs according to a template, set by the Deputy Chair in charge of Investment

Activity Supervision Division. During the reporting period, an inspection of the documents of 153 annual, 124 six-month and 120 quarterly financial reports, as well as 1497 monthly balance sheets of the management companies of CISs were performed.

387 inspections of documents received by the FSC were carried out on 232 prospectuses, 3 KIID and 152 KID of CISs in compliance with the obligation for their submission to the regulatory authority, and these inspections also monitored the performance of the obligation to publish the information on the MC's webpage.

In accordance with the regulatory requirements, AIFMs present summarized information on the defined issue values and redemption prices of the units of the CISs managed by them. In order to comply with these obligations, during 2024 the FSC has received and accordingly checked 1125 reports with summarized information for the determined issue values and redemption prices of the units in CISs.

Within the scope of remote supervision in relation to MCs performing additional portfolio management services at their own discretion without special orders from the client, in order to comply with the provisions of Art. 77n of the POSA in connection with Art. 89 of the CISOUCA during the period 76 inquiries received under Art. 77n of the POSA were verified.

With regard to the information submitted regularly (twice a year) by MCs, during the year, 59 inspections were carried out of the lists of persons with direct or indirect qualifying holdings (10% or more than 10% of the voting rights at the general meeting of the shareholders of the MC), as well as of the data about their votes in the general meeting of company shareholders.

Regarding the supervision of the compliance with the investment restrictions by the MC in the managed CIS portfolios, 160 inspections were carried out during the reporting period based on notifications received by the Commission for violations of investment restrictions due to reasons beyond the control of the MC.

In fulfilment of the requirement of Art. 9, para. 1 and para. 2 of the CISOUCA during the reporting period, 6 notifications from CISs were received and considered accordingly, whose average monthly net asset value for six consecutive months was below the minimum required amount of BGN 500 thousand.

In connection with the remote supervision of MCs and the CISs managed by them, as well as in view of identified discrepancies in the activity or deficiencies in documents and information submitted to the FSC, during the reporting period a total of 251 letters were sent to the supervised entities with a request to remove identified weaknesses, as well as to present additional information.

During the reporting year 2024, 39 notifications were received for the suspension and resumption of the issuance and redemption of shares of CISs, those were analysed and the circumstances were entered on the account of the relevant supervised entities in the register kept by the FSC under Art. 30, para. 1, item 4 of the FSCA.

Inspections were carried out on a total of 4 complaints and signals received, one of which related to the value of financial instruments held by an individual and two related to activity carried out by a person who did not hold a licence to carry out transactions in financial instruments. One signal examined related to the distribution of mutual fund shares via a mobile

app. In the course of the inspections, documents and information were requested, and the same were analysed and the necessary supervisory actions were taken. With regard to the alert received in the fourth quarter of 2024, the verification continues in the next reporting period.

In connection with the off-site supervision over the activity of the MCs and the CISs organized and managed by them, during the reporting period no individual administrative acts for coercive administrative measures were issued.

Alternative investment funds and alternative investment fund managers

The regularly submitted annual financial reports of NIFs, six-monthly reports of AIFs, quarterly financial reports of closed-type NIFs and licensed AIFMs, and monthly balance sheets of open-end and closed-end NIFs are subject to the remote supervision carried out by the FSC in 2024. During the reporting period, documentary checks were carried out on 16 annual, 11 half-yearly and 13 quarterly financial statements submitted to the FSC, as well as on 165 monthly balance sheets of closed-end and open-end NIFs. In 2024, an examination was carried out on reports received by the FSC from licensed and registered AIFMs and the AIFs they manage. A total of 141 document inspections were carried out, and by the end of the reporting period, all companies had successfully reported the required information to ESMA through the designated platform.

During the year, 54 documentary checks were carried out on the 13 prospectuses and 12 AIFMDs submitted to the FSC, and compliance with the obligation to publish information on AIFM websites was monitored as part of these inspections.

In order to comply with the requirements for the submission of monthly summary information on the determined issue values and redemption prices of the shares of the open-end NIFs, during the reporting period, 138 inspections were carried out on the reports received by the FSC with summary information on the determined issue values and prices of redemption of the shares of the open-end NIFs.

With regard to the information submitted regularly (twice a year) by licensed AIFMs which do not hold a license to operate as a MC, during the year, 2 inspection were carried out of the list submitted to the FSC of persons with direct or indirect qualifying holdings (10% or more than 10% of the voting rights at the general meeting of the shareholders of the AIFM), as well as of the data about their votes in the general meeting of company shareholders. The verification of the specified information regarding the other licensed AIFMs is reflected above, insofar as these AIFMs also hold a license to carry out activities as MCs.

Regarding the disclosure of shareholding in the capital of a closed-end NIFs, during the reporting period inspections were carried out on 6 notifications for disclosure of shareholding pursuant to Article 145 of the POSA, presented by the obliged persons, and the relevant circumstances are entered in the register of the FSC under the account of the specific companies.

In connection with the convening and holding of general meetings of the shareholders of closed-end SWFs in 2024, 7 inspections of documents were carried out with regard to the compliance with the obligation to announce to the FSC and the Commercial Register and Register of Non-Profit Legal Entities the invitations and the materials attached thereto as well as the minutes of the general meetings and their decisions.

In connection with the supervisory activities regarding compliance by AIFMs with investment restrictions applicable to the NIFs they manage, five inspections were conducted during the reporting period. These were based on notifications received by the FSC concerning violations of investment restrictions due to reasons beyond the control of the AIFMs.

In connection with the remote supervision of AIFMs, as well as in view of identified discrepancies in the activity or deficiencies in documents and information submitted to the FSC, during the reporting period a total of 25 letters were prepared and sent to the supervised entities with a request to remove identified discrepancies or deficiencies, as well as to present additional information.

During the reporting year 2024, 8 notifications were received for the suspension and resumption of the issuance and redemption of shares of open-end NIFs, and the circumstances were entered on the account of the relevant supervised entities in the register kept by the FSC under Art. 30, para. 1, item 6 of the FSCA.

In connection with the off-site supervision over the activity of the AIFMs and the NIFs organized and managed by them, during the reporting period no individual administrative acts for coercive administrative measures were issued.

Other activities related to collective investment undertakings

In the course of the off-site supervision 13 inquiries and requests for opinions were examined regarding collective investment undertakings from legal entities, incl. supervised entities, foreign persons, as well as from natural persons, as each of them has been analysed and actions have been taken to collate the information. As a result of the performed analyses and checks, answers were sent to the supervised entities in questions.

As a result of the documentary inspections during the off-site supervision of undertakings for collective investment schemes, a total of 588 entries of circumstances were made in the public register kept by the FSC regarding these entities.

Within the framework of the performed off-site supervision with regard to foreign CIS originating from another EU Member State, whose shares are offered within the territory of the Republic of Bulgaria under the terms of freedom to provide services, 247 applications for the updating of the webpage of the FSC were prepared during the reporting period, based on which a total of 4252 documents were published, which were mainly prospectuses, documents with key information regarding investors and financial statements.

Apart from the above, 1 request for updating the website of the FSC with publication of information related to approved templates for financial statements of management companies and licensed AIFMs has been prepared.

In connection with the performed supervisory activity, during the reporting period a total of 33 circular letters were sent to MCs, AIFMs and BAAMC, namely:

- 1 circular has been sent to MCs and BAAMC to provide clarifications to supervised entities on the application of the requirements concerning the temporary suspension of redemption of fund shares;
- In connection with the restrictive measures imposed on Iraq by Regulation (EC) No 1210/2003, 1 circular has been sent to the MA and the BAAMC requesting information on

established business relationships with clients, in their capacity as unit holders/shareholders and/or under portfolio management trust agreements, included in the lists of persons, entities and bodies subject to restrictive measures;

- As part of the ongoing remote supervision, in the fourth quarter of 2023, a review was initiated regarding the use of the term “savings plan” in relation to investments in units of collective investment undertakings through regular monthly contributions. In this connection, two circular letters were sent to MCs and the BAAMC in 2024;
- One circular letter was sent to MCs and BAAMC regarding the change in the settlement cycle of securities in the United States, requesting information on how the change would affect the activities of the MCs and the contractual funds they organize and manage;
- One circular letter was sent to MCs, BAAMC, and licensed AIFMs regarding the update of the financial reporting templates for MCs and licensed managers of alternative investment funds;
- One circular letter was sent to all AIFMs requesting information on the investments in commercial real estate held by the managed AIFs;
- In connection with the supervisory activity carried out during the reporting period, two circular letters were sent to MCs, AIFMs, and BAAMC, in view of the disclosure obligations under Commission Delegated Regulation (EU) 2022/1288⁵ regarding sustainable investments. The supervised entities were reminded of the need to update the structure and content of their websites in accordance with the requirements of Articles 4 and 12 of the above-mentioned Regulation, depending on the approach adopted by the companies regarding disclosures related to the principal adverse impacts of investment decisions on sustainability factors;
- In the reporting year 2024, in view of assessing the potential impact of introducing additional capital adequacy and liquidity requirements on the activities of management companies (MCs) and licensed AIFMs, six circular letters were sent to the companies requesting them to submit template-based information to the EBA and ESMA regarding the provision of additional services;
- In connection with information published in the public domain about a global IT outage that affected the operations of a number of credit and/or financial institutions worldwide, one circular letter was sent to MCs, AIFMs, and the BAAMC requesting information on whether their operations were affected, whether any technical issues occurred related to their information systems, including in connection with the use of cloud services, and whether any issues were identified in the processes of information exchange between MCs/AIFMs and depositaries;
- In connection with the review of Commission Directive 2007/16/EC of 19 March 2007, aimed at achieving supervisory convergence and ensuring a level playing field for MCs in

⁵Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council as regards regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of “do no significant harm,” and specifying the content, methodologies, and presentation of information in relation to sustainability indicators and adverse sustainability impacts, as well as the content and presentation of information in relation to the marketing of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, websites, and periodic reports.

carrying out collective portfolio management activities, ESMA initiated a data collection exercise regarding the extent of direct and indirect exposures of undertakings for collective investment in transferable securities to certain categories of assets. In this regard, one circular letter was sent to MCs and BAAMC.

- In connection with a joint study launched with ESMA regarding the costs and charges levied on retail investors in UCITS, 15 letters were prepared and sent to 14 MCs and 1 AIFM, as well as 1 letter to MCs and AIFMs falling within the scope of the study, requesting the provision of information and providing additional guidance.

During the reporting period, two applications were submitted under Article 46, paragraph 3 of Ordinance No 38. The review of one of them was completed within the current year, and the respective company was informed of the results of the analysis of the submitted information. The review of one of the received applications under Art. 46, para. 3 of Ordinance No. 38 continues in the next reporting period.

In view of the statutory obligation for MCs and AIFMs to periodically disclose and update the information necessary for investors to make informed and reasoned investment decisions, regular monitoring of the websites of the respective entities continued in 2024, with a total of 3942 inspections carried out.

The results of the document inspections of financial statements and other regulated information concerning the activities of MCs, AIFMs and the collective investment undertakings managed by them, carried out during the reporting year, are recorded in special supervisory reports, and in 2024 a total of 26 reports were prepared in connection with the supervision of the supervised entities.

In 2024, three internal memoranda were prepared concerning the legislative package for the European Single Access Point (ESAP) published in the Official Journal of the EU, as well as the aforementioned reporting on the implementation of the 2023 on-site inspection plan and a proposal for the approval of the 2024 on-site inspection plan, along with the endorsement of updated reporting templates for MCs and licensed AIFMs.

In 2024, work continued on the joint supervisory action (CSA 2023–2024) led by ESMA regarding sustainability risks and the disclosure of information by undertakings for collective investment. The information submitted by MCs and AIFMs within the scope of the supervisory action was reviewed in full, which led to the identification of the need to amend some of the responses received. Eight letters were sent, requiring the supervised entities covered by the CSA 2023–2024 to submit information and documents evidencing how they integrate sustainability risk in the selection and ongoing monitoring of specific investments in the portfolio of their funds. Following the analysis of the data by the FSC, the reporting template required by ESMA for CSA 2023–2024 was completed and submitted within the prescribed deadline, thereby finalising the work on the CSA.

In 2024, a study was launched regarding the extent of the direct and indirect exposures of CISs to specific categories of assets. This was carried out in connection with the European Commission's mandate to review Commission Directive 2007/16/EC of 19 March 2007 with a view to achieving supervisory convergence and ensuring a level playing field for MCs in the performance of collective portfolio management activities. The study posed a challenge for

national competent authorities, primarily due to the fact that, as noted by ESMA, most of the asset classes included in the scope of the review were not clearly defined in EU legislation, which created the potential for diverging interpretations. The study was successfully completed within the established deadline.

During the reporting period, the FCS participated in the data collection process for the assessment of the fees charged by MCs and AIFMs to investors in the UCITS and AIFs they organise and manage, as well as explanations for the levels of these fees and any differences between them, including those arising from the nature of the respective UCIs. This initiative was part of a joint study launched by ESMA together with the NCAs, aimed at preparing a report to be submitted to the European Parliament, the Council, and the European Commission.

In accordance with the “Unified Methodology of the Specialized Administrative Directorate ‘Financial Intelligence’ of the State Agency for National Security (SANS) and the Financial Supervision Commission for the assessment of the risk of money laundering and terrorist financing” in the sectors of “Investment Activity,” “Life Insurance,” and “Voluntary Pension Insurance,” a risk assessment was conducted during the reporting period for 28 MCs and 14 AIFMs. Based on this assessment, the 2024 annual plan for specialized supervision regarding the implementation of anti-money laundering and counter-terrorism financing measures was developed.

Public companies, Special Purpose Investment Companies and other issuers of securities

Off-site supervision of public companies, SPICs and other issuers of securities covers verification of the financial statements provided by the FSC and the public, through the media, individual annual, biannual and quarterly financial statements or quarterly financial statements, as well as consolidated ones submitted by issuers who are required to prepare consolidated financial statements. In addition, off-site supervision covers a review of the fulfilment of the obligations of bond issuers to submit to the FSC, BSE and the public a report on the fulfilment of their obligations under the terms of the bond issue and to the bondholders' trustees to submit to the FSC and on the regulated market where the bonds are traded, a report for the respective reporting period.

In order to ensure compliance with the requirements of POSA in connection with the public disclosure of due information on the regulated market in which the financial instruments of issuers are admitted to trading, in the reporting 2024 the effective interaction and exchange of information between the FSC and the BSE continued, which to a significant extent is aimed at detecting the companies that have not fulfilled their obligations under the law or have fulfilled them with a delay.

The reporting period covers an examination of the annual and interim (individual and consolidated) financial statements, respectively individual and consolidated interim public notifications submitted to the FSC, the BSE AD and the public. In addition to the above-mentioned reports, in 2024 documentary inspections were carried out on reports on the fulfilment of the obligations of the bond issuers, according to the terms of the bond issue, as well as on the reports provided to the trustees of the bondholders. In this regard, in 2024

document inspections were performed on 2369 financial statements. As a result of ongoing supervision, 61 thematic reviews were initiated, primarily related to the need to request additional data from supervised entities that submitted financial statements to the FSC and the public. During the reporting period, 1,962 thematic reviews were conducted in relation to the obligation of bond issuers to submit quarterly reports on the fulfilment of their obligations under the terms of the bond issue, as well as the obligation to provide information by the bondholders' trustees.

Part of the regulated information that the obliged persons disclose to the Commission and to the public is the internal information according to Regulation (EU) No. 596/2014 of the EP and of the Council of 16.04.2014 on market abuse, which applies as of 03.07. 2016. During the substantive review of the disclosed information, the need to verify compliance with other special requirements of the law is assessed. When checking this information, part of which is also disclosed in the financial statements of public companies and other issuers of securities, in the course of the off-site supervision, the regulatory compliance of its disclosure should be established, including whether it has been properly disclosed . The supervised entities made 2864 disclosures using electronic forms for disclosure of inside information in 2024 that were analysed in the course of the off-site supervision.

As a result of the selection procedure carried out according to the selection methodology adopted by the FSC with Order No. 3-127/13.05.2021 for the selection of the review of the financial statements of public companies, other issuers of securities and special purpose investment companies, based on a mixed model, where a risk-based approach is combined with sampling and rotation approach, 46 companies had their 2023 annual financial statements (individual and consolidated) audited for compliance with IFRS, ESMA guidelines adopted by the FSC, as well as verification with respect to the proper and complete disclosure in the financial statements of information in accordance with IFRS, and in particular the standards referred to in the Public Statement for which the ESMA has recommended verification in the financial statements.

In connection with the convening and holding of general meetings of shareholders of public companies and general meetings of bondholders of issuers of securities in 2024, 929 documentary inspections were carried out of the content and timely submission to the FSC of invitations and the written materials attached to them, as well as of the minutes of the decisions made by the General Meetings submitted to the Commission.

In 2024 on the disclosure of a significant holding in the capital of a public company or the change in such a circumstance, 1 inspection was carried out of the information regularly received from CD and the notifications submitted to the Commission.

In 2024, a part of the regular inspections carried out in the course of the off-site control carried out by the Commission, there was an inspection of the due and actually paid dividend for 2022 from the CIS., according to Art. 29 of the SPICSCA. 151 inspections were also carried out for compliance with the requirements for submitting an annual declaration of property and business interests under Art. 20 of the SPICSCA of the persons under Art. 10, para. 2 and 4 of the same act.

As a result of the off-site inspections of the annual, biannual and quarterly financial statements and quarterly notifications on the financial condition (individual and consolidated) presented by the FSC and published through the media by public companies, bond issuers and SPICs. The reports on the fulfilment of issuers' obligations related to issues bonds and the reports submitted to the trustees of the bondholders, proceedings for convening and holding a GMS, as well as in connection with the final cessation of transactions with shares of public companies, pertaining to their subsequent removal from the register kept by the FSC, during the reporting period. As a result, 12 administrative proceedings for issuing individual administrative acts for application of coercive administrative measures were opened. Due to the non-performance of the statutory obligations, which have not been fulfilled and following the initiation of administrative proceedings for issuing individual administrative acts for application of coercive administrative measures, or jeopardizing investment interests, **12 decisions were issued** obliging the supervised entities to bring their activity in compliance with the legal requirements, through observance of specific actions and measures.

During the period, 139 letters were sent, most of them with a request for the presentation of financial reporting information and in connection with deficiencies in already submitted financial reports to tenants, public companies and SPICs, as well as a request for the provision of documents concerning general meetings of shareholders. Some of the letters concern a request for information regarding the transposition of Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on improving the gender balance among directors of listed companies and related measures in national legislation.

In the course of ongoing supervision, 8,415 case files were submitted to the UIS during the reporting period.

Also during the reporting period, 33 applications (for registration and deregistration in the UIS), 294 annual and semi-annual reports, 72 notifications under Article 61 of the IFAA, and 2 disclosures of inside information were submitted to the UIS by the addressees of § 1d of the Supplementary Provisions of the POSA.

In 2024, a total of 152 complaints, reports and inquiries were received from individuals, legal entities and state bodies regarding the activities of public companies, bond issuers and SPICs. After review and analysis of the factual situation presented in them, relevant inspections were carried out, and if necessary, documents and information were collected from the relevant institutions and entities. A total of 89 responses to the individuals were prepared, opinions were prepared for 445 of them under Art. 28 of the Regulations on the structure and activities of the FSC and its administration for the preparation of a final answer on the specific cases.

In 2024, as a result of ongoing supervision and identified administrative violations, a total of 142 SEAVs were issued for non-compliance with the provisions of the POSA and the SPICA.

In the first quarter of 2024, a circular letter was sent to all SPICs requesting information on the currently effective preliminary agreements for the sale and purchase of real estate/receivables and all annexes and supplementary agreements thereto, in accordance with Article 5, para. 1, item 2 of SPICA, as well as information on currently effective preliminary agreements for the sale and purchase of a special purpose company and all annexes and

supplementary agreements thereto, pursuant to Article 28 of SPICA. In connection with the above, 45 responses were received from SPICs, which were reviewed and the information summarized.

Insurance Supervision

The supervision activity, which the Insurance Supervision Division exercises over the activities of the supervised entities, consists in controlling their activity in compliance with the requirements of the IC, the acts for its implementation, as well as the acts of the European Commission implementing Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

Off-site supervision in 2024 is based on annual and periodic reports, reports of insurers and reinsurers, insurance groups, the Guarantee Fund and insurance brokers submitted to the FSC in accordance with the reporting obligations to the supervisory authority in accordance with the requirements of Art. 126 of the IC and Art. 311, para. 3 of the IC, as well as the required additional information for certain areas of their activity.

Insurers and reinsurers

In connection with the International Financial Reporting Standard 17 - Insurance Contracts (IFRS 17) becoming effective from 01.01.2023, which is mandatory for insurers and reinsurers with headquarters in the Republic of Bulgaria, amendments were adopted to Ordinance No. 53 of 23.12.2016 for the reporting requirements, the assessment of assets and liabilities and the formation of technical reserves of insurers, reinsurers and the Guarantee Fund. In this regard, a new structure, format, and content for supervisory reporting was adopted pursuant to Order No. 988/16.12.2022. Additionally, at the beginning of 2024, the Handbook for Off-Site Supervision of Insurers and Reinsurers, adopted by Order No. Z-109/23.04.2024, was reviewed and updated. This change was implemented in response to the recommendation to develop and apply specific operational guidelines regarding the supervision of the security, quality, liquidity, and profitability of the insurance and reinsurance portfolio as a whole.

As a consequence of the observed significantly higher levels of inflation compared to those in recent years and the opinion of EIOPA on inflation, (re)insurers are required to ensure an adequate level of technical reserves, asset valuation and responsible and reasonable pricing. In addition to the stress tests applied by (re)insurers for sensitivity analysis, which should be part of the performed own risk and solvency assessment, in 2024 it was required that ones common to all macroeconomic scenarios and market shocks be applied, the results of which are to be presented to the FSC as part of the supervisory report on the performed own risk assessment for 2024.

In connection with the entry into force of Implementing Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on the operational resilience of digital technologies in the financial sector and its application from 17.01.2025, updated amendments and additions to the existing Manuals of the Department of Off-Site Supervision

of Insurers and Insurance Groups, the Department of On-Site Inspections and the Market Conduct Department were developed in the fourth quarter of 2024.

The importance of researching and analysing the impact of environmental, social, and governance (ESG) factors continues to grow, as these are embedded as key priorities in EIOPA's Strategy for 2023–2026. In this context, particular attention is paid in supervisory activities to the assessment of climate risk and its materiality with regard to the insurance and investment portfolios of insurers and reinsurers.

With respect to insurers and reinsurers applying the Solvency II regime, during the course of ongoing off-site supervision, information from the supervisory reports submitted by insurers concerning the Own Risk and Solvency Assessment (ORSA) was requested and analysed, along with its compliance with the provisions of Delegated Regulation 2015/35 and EIOPA Guidelines.

During the reporting financial period, a review, verification, and analysis was carried out on the annual reports and the statements and reports submitted by (re)insurers under Order No. 988/16.12.2022 and Delegated Regulation 2015/35 (Solvency II). As a result of the review, analysis, and findings regarding the content, completeness, and quality of the submitted documents and information, letters were issued and recommendations made to improve the quality of the supervisory reporting submitted by insurance companies.

From the second quarter of 2024, the preparation of a regular quarterly summary report began, containing key data on the insurance market based on the quarterly reports submitted to the FSC pursuant to Art. 126, para. 1, item 3 of the Insurance Code.

Information was analysed in connection with identified inaccuracies, unplanned deviations, and reported trends regarding the financial condition of insurance companies. Opinions were issued based on the findings from the ongoing monitoring and risk analysis concerning the activities, financial condition, and solvency of supervised entities. The adoption of immediate, adequate, and proportionate measures to address the identified irregularities was requested, in accordance with the insurance policies presented by the companies and the currently applicable legal framework.

In respect of insurers without the right to access the single market in 2024, an inspection was carried out on the adequacy of the amount of own funds to cover the guarantee capital and compliance with the solvency requirements at the end of each quarter.

A review and verification were also carried out of the activity programs, Solvency and Financial Condition Reports (SFCRs), Regular Supervisory Reports (RSRs), and Own Risk and Solvency Assessment (ORSA) reports submitted by insurance and reinsurance undertakings. These documents were examined and assessed in accordance with EIOPA Guidelines. Letters were sent to insurers providing information on identified irregularities, along with recommendations for corrections and additions to the relevant reports.

In 2024, following off-site checks of the data in the periodic statements and reports submitted under Order No. 988/16.12.2022 and Solvency II by insurers and reinsurers, and based on quantitative and qualitative analysis, supervisory reports were prepared for the respective reporting periods. Where necessary, corrections to the data in the statements and reports were requested, along with additional information regarding:

- nature and qualitative analysis of individual categories of assets and liabilities from the Solvency II balance sheet and from the Statement of financial position pursuant to Order No. 988/16.12.2022;
- presence of discrepancies and inconsistency between the information submitted in the individual statements;
- discrepancies in the policies and internal rules of insurers;
- concluded reinsurance contracts;
- results of applied stress scenarios;
- the activity carried out by insurers in other member states under the terms of the right of establishment and the freedom to provide services.

The internal policies, procedures and rules of the (re)insurers were received and examined, in accordance with the requirements of Ordinance No. 71 on the requirements for the system of governance. Letters were sent to (re)insurance undertakings regarding identified deficiencies and/or failure to submit documents required by law. The aim is to ensure a high level of confidence in the effectiveness and efficiency of internal processes within insurance undertakings, the efficient use of resources and protection of assets, and the existence of an effective process for the identification, (including forward-looking) assessment, management, and adequate control of risks, in line with the companies' strategic objectives and risk strategy. The supervisory measures taken were tailored to the nature, scope, and complexity of the activities carried out by the insurer or, respectively, the reinsurer.

The off-site supervision of insurers also included a verification of the sufficiency of the established technical provisions.

In addition, the following statements were prepared:

- summarized data for the non-life and life insurance market based on reports under the Solvency II Directive at the end of 2023 and the corresponding quarters of 2024;
- summary data per quarter for the maximum amount of the technical interest for calculation of the premiums and the redemption value according to Article 86(11) of Ordinance No. 53 of 23.12.2016;
- summary data and reference by risk group and share of insurers for 2023 for MTPL insurance according to data from the Guarantee Fund, as well as summarized and published market information on the amount and number of paid and submitted claims under MTPL insurance;

Orders were issued for the registration of 24 non-life insurance undertakings and 9 life insurance undertakings on the grounds of Article 5, paragraph 1 of Ordinance No. 15 of 5 May 2004 on the keeping and maintenance of registers by the FSC and on the circumstances subject to registration. The public registers maintained by the FSC reflect circumstances and changes in circumstances declared by insurers in the quarterly templates S.02.01.01, S.05.01.02, and S.23.01.01 pursuant to Regulation (EU) 2015/2450 and Article 304(1)(g) of Regulation (EU) 2015/35.

The draft annual budget of the GF for 2025 and the accompanying documentation submitted by the GF for approval by the FSC were reviewed. A proposal for the approval of the GF's draft annual budget for 2025 was prepared. The documents submitted by the GF regarding the determination of the contributions to the GF under Article 554, item 1 of the IC to the "Uninsured Motor Vehicles Fund" and the contribution under Article 563, para. 2, item 3 of the IC to the "Guarantee Fund" for 2025, including the deadlines for their payment, were adopted. A proposal for approval of the proposed contribution amounts has been prepared.

The monthly reports submitted to the FSC by the trustees of TUMICO, whose license to carry out insurance activity was revoked in 2017, were reviewed, and general opinions were prepared based on the submitted information and data. The activity report of the liquidator of Euroamerican IC – in liquidation – was also received and reviewed.

In 2024, staff from the Insurance Supervision Directorate participated in the preparation of proposals regarding applications for the issuance of an insurance license to two new companies, as well as for the issuance of an additional license for specific insurance classes. During the reporting period, a number of analyses and opinions were prepared and included in proposals for meetings of the FSC in relation to notifications submitted by insurance undertakings headquartered in the Republic of Bulgaria regarding their intention to carry out activities in the territories of other EU Member States under the freedom to provide services. These included the Republic of Poland, the Republic of Romania, the Kingdom of the Netherlands, the Republic of Finland, the Republic of Latvia, the Kingdom of Spain, the Federal Republic of Germany, the Republic of Croatia, the Hellenic Republic, among others. Proposals were also prepared concerning the expansion of insurance activities to additional classes of insurance.

Documents were reviewed in connection with an application for the acquisition of direct and indirect qualifying holdings in the capital of two insurance undertakings, as well as the acquisition of an indirect qualifying holding in the capital of one insurance undertaking by a natural person. Following an analysis of the submitted information, the staff participated in the preparation of a proposal to the members of the FSC.

During the period, based on identified breaches of the regulatory framework and findings of non-compliance, 40 SEAVs were drawn up and served, and 17 decisions for CAMs were issued by staff through off-site supervision.

Regarding the performance of risk-based supervision on the basis of the Risk Assessment Framework approved by the FSC, a quantitative and qualitative analysis of each insurance and reinsurance company was performed in 2024 in order to prepare an individual risk assessment according to the Manual for risk-based supervision of insurance and reinsurance undertakings. In order to carry out a more detailed assessment additional documents were requested and analysed - internal documents of the insurers, reports of the actuarial function according to Article 272 of Delegated Regulation (EU) 2015/35, plan for future management actions, etc. As a result of the analyses performed, evaluations were prepared, and each insurer and reinsurer was categorized on a scale with four categories (1 - low risk; 2 - medium to low risk; 3 - medium to high risk and 4 - high risk). The results of the analyses are reflected in the

Annual Supervisory Plan for 2025, which consists of all measures planned for each insurer and reinsurer based on a risk-based review.

In 2024, the supervisory actions on the activity of insurance companies under Guarantee insurance continued. Regular submission of content-specific information was required in order to carry out the ongoing supervision of this class of insurance, perform analysis and prepare reports on a quarterly basis.

Regarding participation in supervisory colleges - in connection with the exchange of information between supervisory authorities and participation in supervisory colleges of insurance groups and supervised entities, in 2024 employees of the Insurance Supervision Directorate participated in the meetings held during the year of the supervisory authorities of international insurance groups in which FSC participates. In addition, regular information exchange between the supervisory authorities and the FSC was carried out in the form of questionnaires concerning specific quantitative and qualitative information, including economic and statistical indicators related to the respective supervised entities. A number of meetings were held within the framework of the platform for cooperation among supervisory authorities, organized by EIOPA, aimed at exchanging information regarding the operations and financial condition of a company that is part of an insurance group, for which the FSC acts as the group supervisory authority.

Regarding cooperation with other supervisory authorities – in connection with the activities of insurance undertakings carried out in the territories of other Member States under the right of establishment and the freedom to provide services – information was provided and sent by the off-site supervision function in response to requests from competent insurance supervisory authorities in Italy (IVASS), Romania (ASF), Poland (KNF), and other Member States.

In 2024, staff of the Insurance Supervision Division participated in numerous meetings and conference calls in the performance of various tasks related to the FSC participation in EIOPAs expert networks (ENW), committees and project groups. They also participated in projects at EU level, including the ESG regulatory mapping/ESG Risk Management Framework, funded through the EC Technical Assistance Programme, and cooperation with the International Association of Insurance Supervisors (IAIS).

In terms of interaction with domestic institutions and on the basis of the EIOPA Guidelines on facilitating an effective dialogue between competent authorities and statutory auditors and the audit firms carrying out the statutory audit of undertakings of public interest (EIOPA16/858), a number of workshops were held. During these meetings with some of the audit firms approved to audit and certify the annual financial statements of (re) insurers for 2023, a number of issues were discussed for consideration by the audit firms in their audit of insurance and reinsurance companies.

Once again, a presentation on “Off-site supervision of the activities of insurance and reinsurance companies” was prepared and presented in connection with a joint initiative of the FSC, the Ministry of Education and Science and the Atanas Burov Foundation - the XXI Edition of the educational program for students “The non-bank financial sector in Bulgaria”.

Insurance intermediaries

During the year, a total 707 off-site document checks of insurance brokers were carried out. The reviewed information includes annual and periodic reports and reports from the insurance brokers based in the Republic of Bulgaria, submitted to the FSC in accordance with the reporting obligations to the supervisory body according to the requirements of Art. 311, para. 3 of the IC.

Actions taken according to the reports and statements submitted through the UIS of the FSC:

According to Article 311(3), items 1 and 2 of the Insurance Code, insurance brokers submit annual and biannual reports and statements to the FSC - by January 31 of the year following the year to which they apply, respectively for the six-month period by July 31 of the respective year by model approved with Order No. 3-5 of the Deputy Chair in charge of the Insurance Supervision Department dated 12.01.2024. During the calendar year 2023 684 off-site inspections have been carried out of the submitted statements and reports through the Insurance Supervision online portal by insurance brokers who were active in the reporting year 2023.

According to the most recently submitted annual statements and reports as at 31.12.2023, 23 insurance brokers have chosen to guarantee their activities with their own funds according to Art. 306, para. 1 item 1 of the Insurance Code, and all of them have provided Annual Financial Statements for 2023 in compliance with Art. 311, para. 3, item 3 of IC. As a result of an off-site inspection, it was found that the 23 insurance brokers have sufficient capitalization to maintain a permanent equity capital of 4 percent of the total amount of insurance premiums under insurance and/or reinsurance contracts concluded with its mediation during the previous financial year, but not less than BGN 40,000. In view of this, all insurance brokers who guarantee their activity in this way meet the requirements of Art. 311, para. 3, item 3 of the IC.

Actions are taken for updating the information in the forms for the submission of periodic statements by insurance brokers:

According to the published monthly lists of insurers from EU member states that have declared their intention to operate on the territory of the Republic of Bulgaria under the terms of the freedom to provide services, actions are taken monthly to update the codes in the form for filling out statements submitted through the electronic portal of the FSC from the insurance brokers, for appendix 2.3. Insurance intermediation for non-life insurers and 2.7. Insurance intermediation for life insurers.

At the end of the reporting period codes were given to 476 insurers who declared their intention to operate on the territory of the Republic of Bulgaria under the terms of freedom to provide services. These codes are required for insurance brokers to submit information on insurance contracts concluded on behalf of insurers with a registered office in another EEA Member State.

Follow-up actions were undertaken in connection with a published warning and EIOPA's expectations regarding the distribution of insurance products.

In response to the 2022 warning issued by EIOPA to insurers and banks (acting as distributors of insurance products) concerning identified potential market risks related to the distribution of credit protection insurance products, off-site inspections were carried out in 2024 regarding the follow-up actions undertaken by insurers distributing credit protection insurance (CPI) products in the Republic of Bulgaria.

Based on EIOPA's proposal to streamline the process, the follow-up actions were divided into two phases:

- Phase 1, covering 2023, focused on the collection of information and the sharing of general activities and supervisory actions taken by NCAs. The results of the FSC's actions were presented in Report No. D-10 dated 10.01.2024;
- Phase 2, covering 2024, entails a more in-depth analysis of the bancassurance business model and the specific outcomes of the supervisory actions taken to address the issues identified during the thematic review.

The CPI Working Group, established under the framework of the CCPFI, has played an active role in implementing follow-up actions during Phase 2. Thirteen Member States are actively participating in this working group, namely: Belgium, Czech Republic, Germany, Estonia, Spain, France, Hungary, Ireland, Italy, Malta, Poland, Portugal, and Romania. The working group was created to enhance cooperation on this topic and to discuss and agree in advance on specific supervisory matters related to the follow-up actions.

After Phase 2, EIOPA will further assess the need for additional measures under its legal mandate to improve consumer outcomes in the CPI market and promote coordination and information exchange on the actions taken by NCAs.

EIOPA is expected to complete the follow-up activities related to this thematic review by the end of 2024 and to publish a report on the actions taken by the end of the first quarter of 2025.

In view of the above, the FSC plans to undertake follow-up supervisory actions based on the conducted analysis, after the CPI WG Working Group under CCPFI at EIOPA consolidates the information regarding the actions planned under Phase 2, which is expected to conclude by the end of the first quarter of 2025. As a result of Phase 2, the follow-up actions may require a further assessment of the price/value ratio of the non-life insurance business, as well as the low claims ratios/high average commission rates observed at the European level. In addition, an assessment will need to be carried out on whether further measures should be taken, based on the relevant legal powers, to improve outcomes for consumers in the CPI market.

Actions are taken on enforced removal of insurance intermediaries as a result of off-site inspections:

As a result of inspections of insurance intermediaries, grounds were established for removal of 2 insurance brokers from the register. The grounds are as follows:

- lack of information on the maintenance of mandatory Professional Liability insurance;
- where it has not commenced insurance mediation activity within one year from its entry in the register;
- non-payment of due and liquid monetary liabilities to the FSC in connection with the activity as an insurance broker.

In view of the above-mentioned grounds, the Commission proposed to make a decision to open administrative proceedings for removal of insurance brokers from the register.

Supplementary pension insurance

The off-site supervision of supplementary pension insurance is carried out in two main directions – daily and periodic supervision. Monitoring is also carried out on the websites of PICs.

Daily supervision is carried out on the basis of the daily reports received from PICs on the activity of SPFs and from the custodian banks on the activity of SPFs and FBP. At the end of each month, PICs also submit detailed information about the assets of FBPs. In 2024, 12,768 daily inspections were carried out. The inspections monitor the legality of transactions with the assets of pension funds, incl. compliance with legal restrictions and prohibitions on investing the assets of the funds, investments held in one issuer, the manner of performing the valuation of the assets and their proper recording by the PIC and the registers of the custodian banks. During the daily supervision on the activity of pension funds, the correct deduction of the investment fee and the deduction from each insurance contribution to the supplementary mandatory pension insurance funds, the change in the value of net assets, the correct determination of the number of units corresponding to the received and withdrawn amounts, as well as the correct calculation are monitored. of the value of one unit. Regarding the payment funds, the correct deduction of the fee under Art. 201, para. 1, item 3 of the SIC is also monitored. The results of daily supervision are reflected in daily forms, in the analytical monthly reports on the activity of each PIC and the funds managed by it, as well as in ad-hoc reports and report memos.

Periodic supervision is carried out on the basis of monthly and annual financial reports and statements on the activity of PICs and the supplementary pension insurance funds (SPF) managed by them. In 2024, a total of 790 inspections were carried out, including 130 inspections of the submitted financial statements and reports on the activities of PICs and 660 inspections of the submitted financial statements and reports on the activities of the funds. Based on the information from the financial statements and reports, the regulatory and general financial indicators for the activity of PIC and the funds managed by them are calculated and analysed. Through the indicators determined by regulation the legal implementation of the PIC activity is monitored on a monthly basis. The regulatory indicators are own funds and solvency limit of PICs, liquidity of PICs and the managed funds, investment fee deducted for PICs from SPFs and from the SPFs under occupations scheme, management fee from the insurance contributions of SPFs and SPFs under occupational scheme, reserve for guaranteeing the minimum yield for the funds for supplementary mandatory pension insurance and reserve for guaranteeing the gross contributions (for the universal pension funds). The growth of assets and insured persons in SPFs, investments and profitability of SPFs, as well as the growth of assets, pensioners and persons receiving programmed withdrawals and investments in FBPs are analysed monthly. The overall financial indicators are calculated and analysed on an annual basis. These indicators are related both to the activity of PICs - own capital, assets, income and

expenses of PICs, and to the activity of the managed funds - assets, participants, investments and profitability (for SPFs only). The results of the periodic supervision are reflected in analytical monthly/annual reports on the activities of each AMC and the funds it manages.

During the year, monthly inspections were also carried out on the electronic pages of PICs in connection with compliance with the provisions of the SIC and Ordinance No. 61 of 27.09.2018 on the requirements for advertising and written information materials and the web pages of the pension insurance companies. Periodically (10th of the month following the quarter) the publication of information on the volume and structure of investments by types of assets and issuers of financial instruments is also inspected. During the year, an inspection was also carried out on the websites of all the PICs regarding the publication of the audited annual financial statements of the companies and the funds managed by them, as well as the other required information according to Art. 190, para. 2 of the SIC. No material deficiencies or non-compliances were identified during the inspections carried out during the year, with the exception of one PIC, in relation to which appropriate supervisory action was taken to bring the information on the website in line with regulatory requirements.

During the reporting 2024, intermediate calculations of the yield achieved by the SPFs at random dates were carried out in order to determine the risk of not achieving the minimum yield and the risks regarding its coverage according to the regulatory requirements.

During the reporting year, the implementation of enhanced monitoring continued on three PICs in relation to the actions taken by them to collect overdue receivables of SPFs related to owned bond issues and to leased investment properties, including interest on late payment, given the supervisory compliance due care in the management of the funds of the insured persons. During the year, an analysis of the regularly presented information was carried out, and the results were objectified in reports. As a result of the analysis of the information received during the year, letters were sent to the companies requesting additional documents and information, as well as the performance of certain actions.

During the reporting 2024 a report was prepared summarizing the opinions expressed in the reports of the joint auditors of the financial statements of the PICs and the managed funds for the year ending on 31.12.2023 and their findings, according to the reports issued by them for factual findings in connection with the audit. the order of Article 187(3)((2) of the SIC. A report was also prepared summarizing the findings of the PIC auditors, according to the reports issued by them for agreed procedures in connection with the requirements of Art. 187, para. 3, item 3 of the SIC for checking the compliance of the management system with the requirements of the SIC and the acts for its implementation. Based on the findings of the auditors, it was not necessary to take supervisory actions.

During the year inspections were carried out for the presence of groups within the meaning of the SIC and compliance with the quantitative restrictions in relation to the issuers represented in the investment portfolios of the funds managed by four PICs. The results of the inspections were set out in four reports, and no SIC violations were found.

In accordance with the Manual for implementation of risk-based supervision of PICs and the funds managed by them, during the year based on selections, the valuations by independent appraiser of certain properties of SPF have been analysed. Based on the performed

analyses, reports were prepared on compliance with the requirements of Art. 10 of Ordinance № 9 of 19.11.2003 of the FSC, and no violations were established during the year.

In compliance with the requirements of Art. 180c and Art. 249, para. 1 of the SIC, in connection with §157 of the Transitional and Final Provisions of the Act Amending and Supplementing the SIC and on the grounds of Art. 23a of Ordinance No 9 of 19.11.2003 of the FSC, information was submitted by the PICs at the beginning of the reporting year for the first time, and subsequently at the beginning of each quarter, regarding the return achieved from the management of investment properties in the portfolios of the SPFs. The submitted information was analysed and the results were documented in reports. Investment properties whose return from management was lower than the return of the respective fund and for which the rules under Art. 180c, para. 2 of the SIC must be applied, were placed under monitoring.

During the reporting year, a report was prepared on the stress test conducted to assess the adequacy of the reserve formed by the PICs to guarantee the gross amount of contributions in the UPFs as of the end of 2023. The report confirmed the conclusion regarding the financial stability of the guarantee system under Art. 131, para. 2 of the SIC.

A report was also prepared on the self-assessment of risk carried out by all PICs for 2023. Based on the analysis, one PIC was given a recommendation. Additionally, a consolidated actuarial report for 2023 was prepared based on the annual actuarial reports submitted by the PICs under Art. 123, para. 1, item 5 of the SIC, the supervisory purpose reports, and the annual financial statements of the managed funds for 2023. The conclusion is that, overall, the reports comply with the requirements of Ordinance No 31 of 02.08.2006 of the FSC and provide a true and fair view of the condition and development of the SPFs and FBPs during 2023, as well as of the pensions and deferred payments disbursed by them, in line with the new regulatory framework governing the payout phase of the UPFs.

In accordance with the Manual for implementation of risk-based supervision of PICs and the funds managed by them, a comprehensive assessment of the risk profile of each pension insurance company at the end of each quarter. There were no significant changes in the risk profile of the companies during the year. At the end of 2024, six companies fall within the low-risk profile range, and the remaining four companies fall into the range of medium-risk profile, including risk premium for systemic significance. If the systemic risk premium is not taken into account, eight PICs are classified as low-risk and two as having a medium-risk profile at year-end.

During the year, 10 thematic off-site inspections were carried out on all PICs regarding compliance with the requirements for the prevention of money laundering and terrorist financing. The inspections focused on compliance with the provisions governing the identification and verification of clients. The results of the inspections were documented in a report. No administrative violations were identified during the inspections. Recommendations were issued to 5 PICs – 3 of them received 2 recommendations each, and 2 received 1 recommendation each. No violations were found during the inspections.

3.2. On-site inspections

Investment firms

In 2024, work continued on one full inspection of an IF initiated in the previous period. During the inspection, 15 requests were sent to the IF, 6 letters requesting disclosure of banking information, 4 letters requesting information from depositaries, and 5 letters to foreign supervisory authorities – 1 related to transaction reporting under Art. 20 and Art. 21 of Regulation (EU) No 600/2014, and 4 concerning the full inspection of the IF. Two statements of findings were drawn up in connection with questionnaires provided to assess the knowledge and experience of the IF's employees. Following the completion of the inspection, 1 report and 1 statement of findings were prepared and delivered to the supervised entities under inspection, with recommendations issued to ensure compliance with the applicable legislation and alignment of their operations accordingly.

In addition, during the reporting period, one statement of findings was issued in connection with an inspection to determine whether a company was conducting activity at the address indicated as its registered office.

Regarding the supervision of compliance with the AML Act, the AML Implementing Rules, and the MFT Act, two statements of findings were delivered to investment firms following inspections, with recommendations to ensure compliance with the preventive legislation for anti-money laundering and counter-terrorist financing.

Collective investment undertakings

The purpose of inspections of CIUs is to establish compliance with the applicable regulations regarding the organization of their activities in accordance with the license issued by the FSC. In the past year, both full inspections were conducted, in which the object of inspection is the entire activity performed by the inspected company, as well as thematic inspections, where the scope of the inspection is a separate unit or activity performed by the supervised entity. The inspections have been carried out with a view to establishing the compliance with the applicable legislation relevant to the activities of the companies, namely the CISOUCIA, POSA, MFIA, FSCA and the regulatory acts on their implementation, as well as the applicable European regulations. Regarding the violations and non-conformities with the regulatory requirements or with the good market practices established during the inspections, the relevant supervisory actions were taken, namely invoking the administrative criminal liability of the responsible persons, making recommendations to bring the activity in line with the requirements, to remedy identified deficiencies and weaknesses, as well as requiring specific information to be provided to the supervisor over a specified period of time. In the course of the general scheduled on-site inspections, an inspection was also carried out of the activities of depository banks in order to establish its compliance with the regulatory requirements.

In 2024, one general scheduled inspection initiated in 2023 was concluded with the delivery of a statement of findings. As a result of the findings made during the on-site inspection, a total of 17 recommendations were issued. In the second quarter of 2024, one

thematic scheduled inspection was initiated and concluded in the third quarter of 2024 with the delivery of a statement of findings. Following the on-site inspection, a total of 11 recommendations were issued. In the fourth quarter of 2024, one general (comprehensive) scheduled inspection and one thematic scheduled inspection were initiated, both of which will continue in the next reporting period.

Regarding the supervision of compliance with the requirements for the prevention of money laundering and terrorist financing, three statements of findings were delivered during the reporting period following inspections for compliance with the MAMLA, RIMAMLA and MAFTA, – one to an MC and two to AIFMs – with recommendations addressed to the supervised entities to ensure compliance with the applicable legislation.

Special Purpose Investment Companies

Special purpose investment companies are a specific type of joint-stock companies that have received a license under the SPICSCA to carry out a certain type of activity, namely real estate securitization or receivables securitization. In this regard, the inspection covers: on the one hand - the activity of the company as a SPIC, and on the other hand - the performance of its obligations as a listed company. In this sense, the object of inspection is both the compliance with the SPICSCA and the POSA and the regulatory acts on its implementation. The purpose of the inspections of the SPICs is to examine the relations with the servicing companies and their activities, the relations with the depository bank, the contracts concluded by the company, the investments made, the sources of financing the SPIC's activity, the distribution of the profit, the storage and investment of the free funds, the investments in specialized companies, the total annual management costs, the disclosure of regulated information, the holding of general meetings of shareholders, as well as all internal documents related to their activities.

Work continues in 2024 on 1 general planned inspection of SPICs opened in the previous period.

Insurers and reinsurers

In 2024, twelve on-site inspections of insurance companies were initiated, as follows:

One inspection was initiated covering all non-life insurance companies offering mandatory Motor Third Party Liability insurance. The inspection was initiated on an exceptional basis in response to the protests organized by taxi drivers on 20.11.2024 regarding their dissatisfaction with the increased premium rates under the mandatory Motor Third Party Liability insurance.

The inspection was not limited to the tariff conditions applicable to taxis but covered the entire tariff structure for Motor Third Party Liability insurance, including actuarial justifications, analyses, statistical data, and all other information used by insurers in calculating insurance premiums.

Following the conclusion of the inspection, insurance companies were instructed that any future changes to tariffs – including but not limited to those under Motor Third Party Liability insurance – must be substantiated with a detailed actuarial justification, with a view

to protecting the rights and interests of insurance service users. Compliance with this obligation, as part of the process of control and management of insurance products, will be subject to supervisory review during scheduled or ad hoc inspections.

Seven thematic inspections were initiated: five concerning non-life insurance companies and two concerning life insurance companies. Two of these thematic inspections are ongoing, while the remaining five were concluded with a report and a statement of findings, which were delivered to the legal representatives of the respective companies.

The thematic inspections were conducted to assess the compliance of the insurance activities of the inspected entities with the provisions of the Insurance Code (IC), the secondary legislation implementing it, as well as acts of the European Commission implementing Directive 2009/138/EC, with a focus on specific areas, such as: system of governance ; Solvency Capital Requirement (SCR) assessment; appropriateness and reliability of the company's expenses; calculation of technical provisions; reinsurance activities; investments; distribution of insurance products, product oversight and governance; claims reporting and settlement; complaints handling; general and specific terms and conditions applicable to different types of insurance; the Own Risk and Solvency Assessment (ORSA) process; and the information system.

The statements of findings delivered to the inspected insurance companies included mandatory instructions with specific deadlines. Compliance with these deadlines was monitored in a timely manner by the inspection team following the conclusion of the inspections. Recommendations were also issued, which the inspected entities are expected to observe on an ongoing basis in the course of their insurance activities. The monitoring of recommendations of a permanent nature is carried out both through off-site supervision and during subsequent planned or ad hoc inspections.

The instructions issued to the inspected entities in relation to their systems of governance were as follows: to update the company's organizational chart, as well as its management and organizational structure in compliance with the applicable legal requirements; to update specific internal rules and policies to align them with the regulatory framework; to adopt the contingency plans required under the applicable legislation; to ensure that their internal acts are translated into Bulgarian.

The recommendations issued to the inspected entities in relation to their systems of governance were as follows: to comply with all regulatory requirements concerning the documentation of decisions taken by the management bodies, pursuant to Art. 8 of FSC Ordinance No. 71; to observe all requirements regarding the content of the outsourcing agreement for the key actuarial function; to ensure that the key internal audit function complies with all requirements set out in Art. 49, para. 5 of Ordinance No. 71 when preparing the annual report of the function; to ensure that the compliance function adheres to all applicable legal requirements concerning its annual plan, as well as the content of its annual report; to align the governance system with the provisions of Arts. 76, 77, and 78 of the Insurance Code (IC), and to enhance its effectiveness to ensure sound and prudent management of operations; to provide an adequate and transparent organizational structure, with clearly defined and appropriately segregated responsibilities, and to ensure continuity of processes within the governance system

by appointing reliable staff to key positions who meet the legal requirements; for the sake of clarity, it is recommended that the insurer include the adoption, amendment, and entry-into-force dates directly in the internal policy for business continuity; to improve clarity in the internal rules governing the claims settlement process, the acts and dates of adoption and amendment should be explicitly recorded in the document; when reviewing and responding to insurance complaints submitted to the insurer, to comply fully with the requirements of Art. 63, para. 6 of Ordinance No. 71; to comply with the requirements of Art. 77, para. 2 of the IC by reviewing at least once per year the documents referred to in para. 1 of the same provision and making necessary amendments or supplements in response to material changes in the regulated matters, and to present to the general meeting of shareholders an annual report on their implementation, including the implementation of the program under Art. 77, para. 1, item 2 of the IC.

The instructions and recommendations issued to the inspected entities in relation to their calculation of SCR were as follows: to recalculate certain sub-modules related to underwriting risk and reserve risk in accordance with regulatory requirements; with regard to assumptions related to reinsurance recoverables, the insurer must use the terms of currently valid reinsurance contracts.

The instructions and recommendations concerning the appropriateness and reliability of expenses included the following: to implement an additional control mechanism for the periodic verification of depreciation calculations, particularly for high-value assets; the insurer should update its investment risk management policy and restructure its investment portfolio in accordance with the revised policy.

With respect to distribution, control, and management of insurance products, the inspected entity was advised to provide a document entitled “Pre-contractual Information for the Distribution of Insurance Products,” containing the information required under Articles 324 and 326 of the Insurance Code, prior to the conclusion of each insurance contract.

Regarding the general and special terms and conditions applicable to the different types of insurance, the inspected entity was instructed to update and align certain general and special terms with the regulatory requirements.

In relation to the complaints management function, the entity was advised to ensure that all requirements set out in Art. 63, para. 6 of FSC Ordinance No. 71 are observed when preparing responses to complaints submitted to the insurer.

In connection with the Own Risk and Solvency Assessment process, the inspected entity was issued the following recommendations and instructions: the insurer should update its Own Risk and Solvency Assessment Policy in accordance with regulatory requirements; the insurer should update its Risk Management Policy to ensure compliance with applicable regulations; the insurer should adopt its own Risk Management Strategy, which must be reviewed at least annually and amended and/or supplemented as needed in response to material developments; in preparing the ORSA report, the insurer must take into account stress test scenarios; the competent governing body of the insurer must actively participate in the ORSA process, including guiding the assessment, reviewing its results, and evaluating the identification and assessment of risks and other factors addressed by ORSA, as well as the assumptions underlying

the calculation of the Solvency Capital Requirement in order to determine whether they are appropriate for assessing the company's risk profile.

With regard to technical provisions, the following recommendations and instructions were issued to the inspected entity: to prepare a Plan of Future Actions of the management bodies to be adopted by the administrative, management, or supervisory body of the insurer, in compliance with Article 23 of Commission Delegated Regulation (EU) 2015/35; to update the methodology for calculating technical provisions to include a description of all elements involved in the best estimate calculations of technical provisions. The general methodology under Solvency II must also incorporate a method for calculating the ceded reinsurance claims reserve; the insurer was instructed to take into account the provisions of Commission Delegated Regulation (EU) 2017/2358 regarding the application of procedures in the event of material modifications to an existing insurance product prior to its launch or distribution to clients, in accordance with the definition of "significant adaptation of an existing product" published on EIOPA's website.

In the reporting period, two coercive administrative measures (CAMs) were applied in respect of two insurance companies to secure the implementation of instructions issued through statements of findings.

In 2024, four inspections (two full-scope and two thematic) were also conducted at life insurance companies to assess their compliance with the MAMLA and RIMAMLA.

These inspections were concluded with the delivery of statements of findings to the inspected entities, which included the following recommendations and instructions: The type of inspection must be specified in the individual risk assessment of money laundering/terrorist financing concerning a client, classifying it as an enhanced due diligence check when entering into a business relationship with a person identified as a politically exposed person (PEP) within the meaning of Art. 36 of MAMLA, in accordance with Art. 35, item 1 of MAMLA; The insurer must apply Art. 38, para. 1 of MAMLA in a manner that allows verification of the timing of the approval obligation; The insurer must properly apply Art. 38, para. 1 of MAMLA by ensuring that approval by a senior management official is granted when entering into a business relationship with persons identified as PEPs under Art. 36 of MAMLA; The insurer must certify the date and time of client identification when taking a copy of the official identity document, insofar as there is no other means to establish the exact time of identification (e.g. information available from a document validity check).

All inspections initiated in 2024 were carried out exclusively by staff from the Insurance Supervision Directorate of the FSC, without joint participation from local or foreign institutions.

In addition, a weekly report is prepared on the average premiums under Motor Third Party Liability insurance, using data extracted from the Integrated Information System for Compulsory Motor Insurance (IISCM) of the Guarantee Fund.

As a result of what the on-site inspections of insurance companies carried out during the year, 6 acts were issued for a total of 18 administrative violations, the most common violations being failure to rule on claims for insurance compensation within the statutory time limits.

Insurance intermediaries

During the reporting period a total of 57 on-site inspections of insurance intermediaries were opened, of which 49 were carried out in implementation of the annual plan for 2023 confirmed by report memo No. Д3-215/ 15.03.2024 for on-site inspections of insurance intermediaries for compliance with the IC and the by-laws on its implementation, 7 of the inspections were carried out in implementation of the annual plan confirmed with report memo Д3-369/04.05.2023 for on-site inspections of insurance brokers for compliance with the requirements of the MAMLA, MAFTA and RIMAMLA, and 1 unplanned inspections on received alert.

The 49 full scheduled inspections of the activity of insurance intermediaries include monitoring the compliance with the requirements of the IC and its implementing instruments and prevention of offenses, checking the distribution of insurance products and the persons offering and comparing such products. The scope of the inspections includes monitoring the requirements, related to the provision of pre-contractual information, provided to the users of the insurance services, guaranteeing their activity and the deadlines for reporting the insurance premium collected by the intermediaries, etc.

As a result of the inspections, 13 of them ended with established violations, for which a total of 26 SEAVs for established 49 administrative violations were drawn up, as follows:

- 6 SEAVs for 6 established administrative violations of Art. 301, para. 2 of the IC;
- 5 SEAVs for 10 established administrative violations of Art. 325, para. 1 and 2 of the IC;
- 9 SEAVs for 24 established administrative violations of Art. 337, para. 2 sentence one of the IC;
- 1 SEAVs for 1 established administrative violation against a third party for violation of Art. 635, para. 8 of the IC;
- 1 SEAV for 1 established administrative violation of Art. 635, para. 4 of the IC;
- 1 SEAV for 1 established administrative violation of Art. 288, para. 3 in connection with Art.325 para. 1, item 1, 3 and 4 of the IC.
- 3 SEAVs for 6 established administrative violations of Art. 306, para. 1 item 2 of the IC;

As a result of the inspections the following recommendations have been made:

To insurance brokers:

- to correct or supplement the pre-contractual information about the distributor of insurance services under Art. 325 of the IC;
- to prepare a template questionnaire for the user of insurance services to determine their requirements and needs, in accordance with Art. 325a, para. 1 of the IC;
- to publish "Rules for handling complaints of users of insurance services" on the website maintained by the intermediary;
- to present documents certifying the necessary knowledge, skills and qualifications of the employees directly engaged in the activities of insurance distribution, so that they fulfil their tasks and obligations adequately;

- to transfer for the benefit of the insurer the received payment of a premium or contribution under insurance in the statutory term under Art. 337, para. 2 of the IC, namely one month after receiving the payment, and for the mandatory insurances under Art. 461, items 1 and 2 - within 5 working days of receiving the payment
- to comply with the provision of art. 325a, para. 7 of the IC before the conclusion of any insurance contract under Section II of Annex No. 1 of the IC;
- The FSC shall be notified within 7 days of all new facts and circumstances that are subject to entry in the Commission's register in accordance with the provisions of Art. 311, para. 2 of the IC in connection with Art. 311, para. 1, item 1. of the IC in connection with Art. 27, para. 1, item 4 of Ordinance No. 15 of 05.05.2004 on the keeping and storage of registers by the Financial Supervision Commission and on the circumstances to be recorded;
- to comply with the provisions of Art. 288a of the Insurance Code regarding the determination of remuneration based on sales targets;
- to submit a request to the FSC for the issuance of an up-to-date certificate of registration as an insurance broker and to display it prominently in their offices where insurance intermediation is carried out.

To insurance agents:

- to display the identification certificate issued by the insurer in a prominent place at their offices where insurance intermediation activities are carried out, in accordance with Art. 320, para. 2 of the Insurance Code;
- to strictly comply with Art. 325 of the Insurance Code by providing pre-contractual information prior to the conclusion of each insurance contract.

In seven of the scheduled inspections, which covered compliance with the provisions of the MAMLA, its implementing legislation, the MAFTA and the RIMAMLA, no acts for administrative violations were issued.

As a result of one ad hoc inspection conducted in response to a submitted alert, a total of six Statements of Findings of Administrative Violations (SFAVs) were issued for violations of the Insurance Code, as follows:

- 1 SEAV for 1 established administrative violation of Art. 635, para. 1 of the IC;
- 5 SEAVs for 5 established administrative violation against a third party for violation of Art. 296, para. 4 of the IC;

In addition, during the reporting period, a total of six CAMs were imposed. As part of these CAMs, one decision was issued by the Deputy Chairperson in charge of the Insurance Supervision Division, ordering the company to cease the distribution of the insurance product “Smart Care”. With regard to the partners of the trading company involved in the distribution of the offered insurance product, 5 decisions were issued by the Deputy Chairman in charge of the Insurance Supervision Department, by which the trading companies in question were ordered to cease carrying out activities in the distribution of insurance products as insurance intermediaries, without the existence of the statutory prior entry in the register under Art. 1, item 12 of the FSC Act.

Supplementary pension insurance

At the beginning of the year, the findings report of the inspection opened in the third quarter of 2023 for compliance with the requirements of the regulations governing measures against money laundering and terrorist financing was handed over. The inspection revealed 6 violations, for which 5 AATs were issued, and 16 recommendations were given to the company to improve its activities in this area.

In the beginning of the second quarter of the reporting year the finding protocol of the general on-site inspection started at the end of 2023 was handed over. No violations were found during the inspection. In connection with the inspection, the company was given 5 recommendations to improve the activity.

In implementation of the Annual Program for carrying out on-site inspections in pension insurance companies and custodian banks in 2024 (for compliance with legislation in the field of supplementary pension insurance), 3 general on-site inspections were performed. During the general inspections the observance of the provisions of the SIC and the by-laws on its implementation in connection with the implementation of the overall activity of the PICs and the funds managed by them is monitored. No violations were found during these inspections. In the statements of findings from these two general inspections of the management of 1 PIC were given 19 recommendations for improving the activity, and the other was given 11 recommendation.

in 2024 reports were prepared on the basis of analyses of actions taken by the PIC to implement certain recommendations during on-site inspections. As a result of the analyses carried out during the year, letters were sent to the companies with which additional documents and information were requested.

3.3. Law enforcement

Legal Directorate

In 2024, no penal warrants were issued by the Chair of the FSC.

In the reporting 2024, no penal warrants issued by the Chair of the FSC have become effective.

In the reporting year 2024, there was 1 revoked penal decree issued by the Chair of the FSC, amounting to BGN 20 000.

The total value of the sanctions imposed with PWs issued by the Chair of the FSC in previous years (until 2020), which at the end of 2024 are in the appeal phase, amounts to BGN 4,000.

Investment activity

In their day-to-day activities, employees of the Supervision of Investment Activity Division apply a wide range of regulations covering the prevention of money laundering and terrorist financing, capital market activity, protection of the rights of users of financial services, shareholders in public companies and investors. The legal framework is outlined both by national legislation, through laws and regulations, and by directly applicable European legislation.

In 2024 the officials of the investment Activity Division have drafted and delivered 212 SEAVs initiating proceedings in connection with 255 administrative violations, the proceedings are within the competence of the Deputy Chair in charge of the Investment Activity Division.

During the reporting period, proceedings on 55 administrative penalty case files concerning 77 violations were concluded. In 46 of the proceedings, covering 56 violations, settlement agreements were reached with the offenders, resulting in the imposition of administrative penalties totalling BGN 144,900.

Over the same period, 139 PDs were issued, imposing administrative fines amounting to BGN 786,500 for 162 violations. This represents a significant increase in administrative penal activity compared to 2023, when 85 penalty decrees were issued, imposing fines totalling BGN 659,000 for 97 violations.

Table 18. Enforcement in 2024

	Identified violations (no.)	Penalties imposed (no.)	Effective administrative penalties (No.*)
Investment firms	59	73	87
CIS, MC, SPIC, PC and other issuers, as well as their representatives	167	139	125

Other legal entities and natural persons	29	6	6
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*Note: *The number of issued and effective penalties in the reporting year includes both PDs issued on the basis of SEAVs of the same year and PDs issued on the basis of SEAVs from the previous year. This is due to the fact that the deadline for issuance of a PDs is six months after the date of issue of a SEAV according to Article 34, Paragraph 3 of the Administrative Violations and Penalties Act.

The above mentioned summarised information will be examined in detail in the following statement, depending on the supervised persons, indicating the actions taken and the conclusion of the initiated administrative criminal proceedings:

Investment firms

As a result of the comprehensive off-site supervision and on-site inspections, administrative violations of both national and European legislation were identified in 2024. Violations of the provisions of the MFIA, MAMLA, POSA and Ordinance No. 38 were established. The identified breaches of European legislation include Regulation (EU) 596/2014, and (EU) 600/2014.

In 2024, regarding IFs, 37 SEAVs were composed in connection with 59 committed acts, the administrative criminal proceedings of which are in the competence of the Deputy Chair in charge of the Investment Activity Supervision.

In 2024, 27 PDs were issued by the Deputy Chair in charge of the Investment Activity Supervision, taking into account the 6-month term under Art. 34, para. 3 of the AVPA, whereas part of these PDs refer to proceedings initiated in the previous year. Pecuniary sanctions and fines in the total amount of BGN 269,000 were thus imposed, concerning 50 committed administrative violations.

The value of administrative penalties that entered into force during the reporting period amounted to BGN 279,700. In 2024, there were no revoking court decisions concerning administrative penalty proceedings initiated against investment firms.

As of 1.03.2025, 32 administrative penalties imposed by penalty decrees in 2024, totalling BGN 179,000, are under appeal. Seventeen penalties, amounting to BGN 85,000, entered into force without being appealed, while one penalty, amounting to BGN 5,000, was appealed and upheld by the competent court.

During the reporting period, 14 agreements concerning 23 committed administrative violations were concluded with investment firms. Thus, with the consequences of an effective penal decree, administrative penalties in the amount of BGN 56,700 were imposed, which were promptly paid by the offenders.

In 2024, 13 proceedings initiated against investment firms were terminated due to the presence of grounds under Art. 54 of the AVPA.

During the reporting period, violations of various types of legislative acts - ordinances, laws and regulations - were found. A significant share of the identified violations concerned non-compliance with obligations under the MAMLA. These mainly related to: failure to promptly notify the Financial Intelligence Directorate of the State Agency for National Security by an investment firm in cases of suspicion and/or knowledge of money laundering and/or criminally acquired assets, as well as failure to comply with requirements for verifying the origin of funds in financial operations. For another consecutive year, a significant number of

breaches of Regulation (EU) No 600/2014 were established, primarily due to the failure to report executed transactions or reporting them in an incomplete or inaccurate manner. Occasional violations of the MFIA, Regulation (EU) No 596/2014, the POSA, and Ordinance No 38 were also recorded.

Table 19. Most frequent violations by IFs established in 2024

Type and basis of the violation	Identified violations (no.)	Penalties imposed (no.)
Failure to submit a complete and accurate report on concluded transactions (Art. 26, § 1 of Regulation (EU) No.600/2014)	21	31
Violations related to customer identification, verification of the origin of funds, and reporting of suspicious transactions (Art. 55, Art. 66, and Art. 72 of the MAMLA.	24	17
Operating outside the scope of the issued licence (Article 9 of MFIA)	5	6

*Note: The number of established violations does not correspond to the number of penalties imposed, since the legal deadline for the completion of the initiated administrative criminal proceedings is 6 months, according to Art. 34, para. 3 of the Administrative Violations and Penalties Act.

During the reporting period in respect of BSE AD and Central Depository AD no SEAVs were composed, and no administrative penalties were imposed.

Public companies, Special Purpose Investment Companies and other issuers of securities and their natural person representatives

In 2024, a total of 140 SEAVs were drawn up against public companies, special purpose investment companies and other issuers of securities, as well as for individuals representing them, establishing a total of 140 violations.

During the reporting period, the Deputy Chair in charge of the Investment Activity Supervision issued penal decrees imposing administrative sanctions totalling BGN 460,000 in connection with 85 violations. This number significantly exceeds the administrative fines and

property sanctions imposed in 2023, when 52 penal decrees were issued, imposing sanctions in a total amount of BGN 375,000.

As of 1 March 2025, a significant portion of the imposed administrative sanctions – 77 penal decrees totalling BGN 411,000, – have entered into force without being appealed by the offenders, while only 8 penal decrees, imposing sanctions in the amount of BGN 49,000, have been appealed. The reduced number of court proceedings can be attributed to the broad amendments to the AVPA, effective from the end of 2021 which enable the offender to pay the fine or pecuniary sanction in a reduced amount, namely 80%, with which the issued penal warrant enters into force.

During the reporting period, 30 agreements concerning 30 committed administrative violations were concluded with public companies, companies with a special purpose of investment and other issuers of securities and natural persons representing them. With the agreements concluded, with the consequences of a penal decree that came into force, administrative penalties in the amount of BGN 86,100 were imposed, which were promptly paid by the offenders.

In 2024, 25 of the administrative criminal proceedings instituted in relation to this category of supervised entities were terminated, and in 17 of them the offenders were warned that in the case of repeated violations of the same type, representing a minor case, the offender will be sanctioned. The remaining 8 proceedings were terminated on the basis of Art. 54 of AVPA.

The SEAVs composed and delivered in 2024 mainly establish violations of the POSA. These establish violations related to the obligations for disclosure of regulated information to the FSC and the public, namely failure to provide within the statutory period of annual financial statements on an individual or consolidated basis, six-month financial statements on an individual or consolidated basis and public notification on an individual or consolidated basis for the financial state of the company.

Table 20. Most frequent violations by PCs, SPICs and other issuers of securities in 2024*

Type and basis of the violation	Identified violations (no.)	Penalties imposed (no.)
Failure to submit regulated information on an annual and quarterly individual and consolidated basis (Art. 100b, para.8, Art. 100e, para. 1 and 2, Art. 100n, para. 1 and 2, Art. 100o, para. 1 and 2, Art. 100o ¹ , para. 1 and 2 of the POSA)	117	78

Failure to submit a declaration of property and business interests within the deadline (Article 20 of the SPICSCA)	10	9
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*Note: The number of established violations does not correspond to the number of penalties imposed, since the legal deadline for the completion of the initiated administrative criminal proceedings is 6 months, according to Art. 34, para. 3 of the Administrative Violations and Penalties Act.

Management companies, Collective investment schemes and other collective investment undertakings, as well as representatives of the said persons

In 2024, 27 SEAVs were composed in connection with the same number of violations committed by MCs. During the past year, no violation by natural persons representing the mentioned companies were established. The number of initiated proceedings was similar to that of the previous calendar year.

A significant number of the committed violations – 17 in total – pertained to the failure to timely deposit funds into the bank account of a mutual fund. Isolated violations were also identified, including submission of orders for the purchase of shares that did not comply with the client's predefined restrictions; failure to notify the supervisory authority of breaches of investment limits; failure to notify the supervisory authority in a timely manner in connection with the conclusion of a delegation agreement with a third party for the performance of functions and actions under Article 86 of the CISOUCA.

During the reporting period, a total of 24 penalty decrees were issued by the Deputy Chair in charge of the Investment Activity Supervision Division, some of which refer to SEAVs from the previous year due to the 6-month deadline under Art. 34, para. 3 of the AVPA.. With the drafted PWs, pecuniary sanctions in the total amount of BGN 53,500 were imposed. The number of penalty decrees issued significantly exceeded those in 2023, when only 7 were issued. As of 1 March 2025, 58% of the imposed administrative penalties had entered into force, with three of them having undergone judicial appeal procedures.

No settlement agreements were concluded with supervised entities in this category during the reporting period.

In connection with four of the identified violations, the proceedings were terminated in 2024 pursuant to Article 28 of the AVPA. Due to procedural irregularities at the time of initiation, two administrative penal proceedings were terminated under Article 54 of the AVPA, and seven were discontinued on the basis of Article 3, paragraph 2 of the AVPA in relation to a legislative amendment that had been adopted and entered into force.

Table 21. Most frequent violations by MCs and MCs in the capacity of CIS managers in 2024

Type and basis of the violation	Identified violations (no.)	Administrative penalties imposed (no.)
Failure to deposit funds into the MF's bank account on time (Article 67 of Ordinance No 44)	17	given the six-month deadline under Art. 34, para. 3 of the AVPA,

		administrative penalties imposed on 2025.
Placing an order deviating from the limits set by the customers (Art. 54, § 10, para. 1 of Delegated Regulation (EU) No 2017/565 in conjunction with Art. § 4, para. 3 of the MiFID Act and Article 86(5) of the CISOUCA	4	4

*Note: The number of established violations does not correspond to the number of penalties imposed, since the legal deadline for the completion of the initiated administrative criminal proceedings is 6 months, according to Art. 34, para. 3 of the Administrative Violations and Penalties Act.

Other natural and legal persons who have committed violations of the investment activity legislation

In 2024 8 SEAV were composed in connection with 29 violations, the administrative criminal proceedings of which are under the competence of the Deputy Chair in charge of the Investment Activity Supervision. Of the identified violations, 93% relate to the obligation under Article 19 of Regulation (EU) No 596/2014 to notify the issuer or the competent authority of transactions above a certain threshold concluded by persons discharging managerial responsibilities and persons closely associated with them.

During the reporting period, three penalty decrees were issued for administrative violations of Article 66 of the POSA and Article 40 of the MFIA, all of which entered into force without being appealed. These resulted in administrative penalties totalling BGN 4,000.

Additionally, three settlement agreements were concluded in connection with violations of Article 19 of Regulation (EU) No 596/2014. With the agreements concluded, with the consequences of an effective penal decree, administrative penalties in the amount of BGN 2,100 were imposed, which were promptly paid by the offenders.

In 2024, 1 warning was issued on the basis of Art. 28 of the AVPA and 25 administrative criminal proceedings were terminated on the basis of Art. 54 of the AVPA.

Insurance Supervision

In 2024, 222 acts SEAVs of persons under the supervision of the Insurance Supervision Division were issued. A total of 326 administrative violations were ascertained with the issued acts, which were served in accordance with the provision of Art. 18 of the AVPA. The violations were ascertained during inspections (on-site and off-site) of the activity of the persons supervised by the FSC, as well as during the consideration of complaints of users of insurance services..

The number of complaints, reports and inquiries received from users of insurance services in 2024 was 815, which shows a slight increase compared to the 769 complaints received in 2023. It should be noted that over the past three years, the number of complaints against insurers and insurance intermediaries received by the Financial Supervisory Service remained lower than in the previous three years (2020 – 951, 2021 – 981, 2022 . – 871.). The latter is an indication of increasing citizens' satisfaction with the insurance services used.

Table 22. Most frequent violations in the field of insurance and reinsurance in 2024

Type and basis of the violation	Identified violations	Imposed sanctions*
Art. 108, para. 1 of the IC - Failure of the insurer to issue a conclusion on an insurance claim filed within the statutory period of 15 business days from the submission of all relevant evidence	135	138
Art. 108, para. 6 of the IC - Failure to submit a factual and legal justification of the amount of the determined compensation in case of a complaint filed by a user of insurance services	26	27
Art. 108, para. 2 of the IC - Failure of the insurer to issue a conclusion on an insurance claim filed within the statutory period of six months from the reporting of the claim	27	24
Art. 496, para. 2 in connections with para. 1 of the Insurance Code - failure of the insurer to pronounce within the three-month period provided by the Insurance Code in case of a claim under the Motor Third Party Liability Insurance	16	13
Art. 325 and Art. 325a of the IC - non-compliance with the requirements for providing information and advice to users of insurance services in the distribution of insurance products by insurance intermediaries	9	11
Art. 337, para. 2 of the IC- non-transfer of the received insurance premium from an insurance intermediary to an insurer	24	27
Art. 290, para. 2 of the Insurance Code - failure to submit a response to a complaint from a user of insurance services	8	3
Art. 126, para. 1 of the Insurance Code - failure to submit thematic financial statements and reports by insurers within the statutory period	20	16

Notes: *The number of sanctions imposed for the reporting year includes both sanctions issued on the basis of established violations of the same year and sanctions imposed on the basis of established violations during the previous year. This is due to the fact that the deadline for issuance of a PDs is six months after the date of issue of a SEAV according to Article 34, Paragraph 3 of the Administrative Violations and Penalties Act.

The main violations committed by insurance companies in 2024 continue to be in the area of not ruling on claims for the payment of insurance benefits within the statutory terms under Art. 108, para. 1, para. 2 and Art. 496 of the IC. The total number of established violations of this type is 178.

Although a slight increase was observed in 2024 in the number of identified violations under Art. 108, paras. 1 and 2, and Art. 496 of the IC compared to those of the same type in 2023 (136 cases), this rise remains insignificant when compared to the number of such violations established in 2022 (302 cases). This is an indicator of the effectiveness of insurance supervision and of the applied supervisory measures, as a result of which there is an improvement in the market behaviours of the supervised entities and, to a greater extent, compliance of their activities with legal requirements.

The total value of the PDs that entered into force in 2024 amounts to BGN 614,500 , as the main part of the amount is accrued in connection with the penal warrants that have entered into force, with which the administrative penal liability of the non-life insurance companies is engaged.

Supplementary pension insurance

In 2024, two penalty decrees (PDs) issued in 2022 entered into force, with a total value of BGN 6,000, and one settlement agreement was concluded for BGN 3,500. During the reporting year, 10 PDs issued in previous years were annulled, amounting to a total of BGN 64,000. As of the end of 2024, only one PD issued during the year is under judicial appeal, valued at BGN 20,000.

In 2024, a total of 9 statements of administrative violation (SAVs) were issued for 10 identified violations, of which 6 were violations of provisions of MAMLA, 3 were violations of the SIC, and 1 was a violation of Ordinance No. 10 of 29.06.2021 of the FSC. Over the course of the year, 1 PD and 1 settlement agreement were issued.

Also in 2024, two decisions were issued applying two CAMs against two PICs. Under the first CAM, a PIC was required to take the necessary steps to divest a fund it manages of financial instruments that do not comply with the requirements of the SIC. Under the second CAM, a PIC was required to take the necessary steps to remove an approved advertisement from the advertising spaces it uses under lease agreements, and to refrain from distributing the advertisement via electronic media, leaflets, brochures, or other advertising methods. The coercive administrative measures have been implemented by the PICs within the set deadlines.

Table 23. Results of the administrative penal activity in 2024 (total for the three divisions)

	Value of issued PDs (BGN)	Value of enforced PDs* (BGN)	Value of revoked PDs (BGN)	Value of PDs under appeal *** (BGN)	Value of concluded settlements (BGN)	Value of effective agreement (BGN)
Investment firms, CSDs and BSE	269,000	223,000	25,000	299,000	56,700	56,700
CIS, MC, SPIC, PC and other issuers, as well as their representatives	499,500	521,000	72,000	196,500	86,100	86,100
Non-life insurance companies	489,500	498,000	1,000	99,000	7,700	7,700
Life insurance companies	50,000	79,000	0	0	1,400	1,400
Insurance brokers	19,500	24,500	0	0	21,000	21,000
Insurance agents	1,000	2,000	0	0	13,300	13,300

Pension insurance companies / their representatives	20,000	-	40,000	20,000	3,500	3,500
Guarantee Fund, NBBMI	1,000	1,000	0	0	0	0
Other legal entities and natural persons	14,000	20,000	47,000	2,000	54,600	47,600

* became effective in 2024, regardless of the year of issue

** revoked in 2024, regardless of the year of issue

*** under appeal regardless of year of issue for PIC and data as of 13.03.2024 regardless of year of appeal for non-life insurers

Table 24. Enforcement in 2024 (total for all three departments)

	Identified violations	Penalties imposed by PDs	Penalties imposed by agreements	Proceedings opened under CAMs	Decisions for implementation of CAMs*
Investment firms, CSDs and BSE	59	50	23		
CIS, MC, SPIC, PC and other issuers	167	105	30		
Non-life insurance companies	245	229	11	15	15
Life insurance companies	19	19	2	5	4
Insurance brokers	36	12	30	0	0
Insurance agents / persons operating as insurance agents, without being entered in the FSC register and other individuals and entities	13	1	11	0	0
Pension insurance companies / their representatives	10	1	1	-	2
Guarantee Fund, NBBMI	1	1	0	0	0
Other legal entities and natural persons	41	5	7	6	6

Notes: *The number of penalties imposed with PDs for the reporting year includes both PDs issued on the basis of SEAV of the same year and PDs issued on the basis of SEAV during the previous year. This is due to the fact that the deadline for issuance of a PDs is six months after the date of issue of a SEAV according to Article 34, Paragraph 3 of the Administrative Violations and Penalties Act. ** decision for application of CAM is reached in case the companies do not comply with the open procedure for application of CAM. When applying the CAM under the procedure of the SIC, the provisions of the APC regarding the explanations and objections of the interested parties are not applied.

3.4. Market abuse

Investigating market abuse

The legal framework regulating market abuse covers Regulation (EU) No. 596/2014, the IMMAFIA and the acts on their implementation.

In accordance with the statutory functions of the FSC, in 2024, the trade in financial instruments admitted to trading on trading venues in the Republic of Bulgaria was supervised. Measures are taken to prevent and reveal transactions and actions with inside information and

market manipulations, and monitoring of the disseminated information relating to the issuers. The main factors in the process of trading analysis, which are reported for each financial instrument, are the change in price, the volume of shares traded, the number of submitted orders and concluded transactions.

In the course of the analysis, it is mainly monitored for changes from the usual values and trends of the specified factors, as well as their influence. Also, taking into account the characteristic features of trade for each position such as liquidity, market depth, number and volume of concluded transactions, actions are monitored that meet the manipulation hypotheses listed in Art. 12 of Regulation (EU) No. 596/2014 and the indicated signs of manipulation of the market of financial instruments specified in Annex I of the same regulation. In the monitoring of the disseminated information relating to issuers admitted to trading on a regulated market in the Republic of Bulgaria, information agencies through which public companies disclose regulated information, as well as media and forums, are monitored. The verification of the disclosed regular information consists mainly in assessing how price sensitive it is and, if so, checking whether there is a change in the usual intensity of trading in the position before its disclosure.

During the reporting period, one inspection was carried out in relation to a report concerning suspicious transactions and orders that may constitute insider dealing, market manipulation, or attempted insider dealing or market manipulation.

In 2024, 10 SEAVs were issued concerning 33 violations of Regulation (EU) No 596/2014. The majority of the violations, 29 to be exact, concerned Article 19(1) of Regulation 596/2014. Additionally, three violations of Article 16(2) and one violation of Article 15 in conjunction with Article 12(1)(a)(i) of the same Regulation were identified. The latter involved behaviours likely to give false or misleading signals regarding the supply and demand of financial instruments.

In 2024, administrative penalties totalling BGN 25,000 were imposed in relation to five violations of Article 16(2) of Regulation 596/2014. These penalties have been appealed, and as of March 1, 2025, no final court ruling has entered into force.

In the same period, 3 agreements were concluded with the offenders in relation to non-compliance with the provisions of the Regulation, and financial penalties were imposed for a total amount of BGN 2,100, which were paid in due time.

One of the proceedings initiated was terminated in 2024 on the basis of Article 28 of the AVPA and in the reporting period resolutions for termination on the basis of Article 54 of the AVPA were issued in relation to 30 administrative proceedings.

4. Activities of the FSC for resolution of investment firms

The scope of RRCIIFA includes IFs that carry out transactions for own account with financial instruments and underwriting issues of financial instruments and/or offering for initial sale of financial instruments under the conditions of unconditional and irrevocable obligation to subscribe/acquire financial instruments for own account, provide services related to underwriting issues of financial instruments and/or offering for initial sale of financial instruments under the conditions of unconditional and irrevocable obligation to subscribe/acquire financial instruments for own account, as well as those that store and administer financial instruments for own account of clients, incl. perform custodial activity and related services.

The Financial Supervision Commission, in its capacity as the resolution authority for IFs under Art. 1, para. 1, items 2–7 of the RRCIIFA, performs its resolution functions for investment firms on both an individual and consolidated basis, based on a proposal from a FSC member. This activity is carried out within a structural unit that is independent from supervisory functions.

In 2024, in accordance with Commission Delegated Regulation (EU) 2015/63 of 21 October 2014,⁶ the FSC determined the target level and the annual contribution of each investment firm (IF) within the scope of the RRCIIFA to the Investment Firms Resolution Fund (IFRF), in accordance with Art. 102, para. 1 of Directive 2014/59/EU. Based on the requirements of Art. 10 of Delegated Regulation (EU) 2015/63, with a decision of the FSC are determined individual annual instalments for 2024 for each IF with a full license in the amount of EUR 1,000 (BGN equivalent of BGN 1955.83).

Pursuant to Art. 7, para. 3 of the RRCIIFA, a review of 11 IF recovery plans covered by the RRCIIFA was carried out. Recommendations have been made to modify the plans to identify obstacles and actions that may adversely affect the resolvability.

According to the provision of Art. 14 of RRCIIFA, the FSC in its capacity as an authority for the resolution of IFs on a separate and consolidated basis, accepts plans for the resolution of institutions under Art. 1, para. 1, items 2-7 RRCIIFA, which provides for resolution actions that the FSC can undertake if necessary. In 2024, the independent unit prepared and, accordingly, the FSC adopted eight resolution plans for investment firms.

Communication with the SRM continued throughout 2024, with FSC representatives, in their capacity as observers, participating in the Plenary Sessions of the SRM and in the sessions of the Resolution Committee of the SRM.

In 2024, the FSC's resolution unit also continued its active involvement in the development of a framework for the recovery and resolution of insurance and reinsurance undertakings by participating in meetings of the PG IRRD under EIOPA. The project group is working on drafting guidelines and technical standards. Work is forthcoming on the

⁶ Commission Delegated Regulation (EU) No 2015/63 of the EC of 21 October 2014 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements

transposition of the adopted Directive on the recovery and resolution of insurance and reinsurance undertakings – Directive (EU) 2025/1 of the European Parliament and of the Council – into national legislation.

5. Protection of the consumers of non-bank financial services

Since its establishment in 2003, the FSC has set a policy of financial literacy for the public as one of its main priorities and has established a tradition in the realization of this main priority.

The protection of users of non-bank financial services (investors, insured and socially insured persons) is realized in 3 main directions:

- implementation of adequate and timely regulatory and supervisory activities;
- financial literacy of the public through information campaigns, discussions and educational initiatives;
- by providing accurate and comprehensive information about the non-banking sector and the actions of the institution through various communication channels.

In 2024, the FSC made timely changes in the regulatory framework and supervisory activities, in line with European requirements and the specifics of the national market, with an emphasis on good business practices. The focus of the Commission's activity during the year was providing accurate and comprehensive information about the non-bank sector and the actions of the institution through various communication channels. This process, together with the implementation of a series of educational initiatives, helped to increase the financial culture of consumers.

5.1. Access to financial information

Access to financial information, as well as information on all activities carried out by the Commission, is carried out to end-users and its supervised entities through various communication channels. They can be summarized as follows:

- publications on the Commission's three public websites: <https://www.fsc.bg/bg/>, <http://www.tvoitefinansi.bg/> и <https://investsafely.fsc.bg/>;
- posts on the Commission's communication channels on LinkedIn and Youtube;
- the Commission's mobile application – FSC Mobile;
- organization of media campaigns;
- organizing conferences and events;
- participation with news, statements and media interviews;
- providing information to citizens and supervised entities on particular and specific cases upon request at the FSC Information Hub.

The representative participation of the management and experts of the FSC in various public forums, round tables, national and international conferences and events further contributes to the sharing of current, analytical and prognostic information.

Institutional page of the FSC - www.fsc.bg.

The FSC website contains both information about the Commission and useful information for supervised entities. The unified information system is available to all users. Access to the requested information is also available through the search engine based on keywords. Important news and announcements are published in real time, and the site is also a means of receiving feedback from users; with just one click can dial the indicated phones, load the address of the FSC in Google Maps or send an email directly.

The site is constantly updated with interactive content - photos, banners and videos that support the modern tone of communication. Up-to-date information allows users to follow the latest developments and to be promptly informed about the dynamics of the insurance, insurance and capital market processes.

In the Regulations section, the codes, laws and regulations have been updated after their promulgation in the State Gazette.

In 2024, two legislative activity programs and twelve public consultations were published.

Under the sections “For Consumers,” “Consumer Warnings,” and “From European Regulatory and Supervisory Authorities,” a total of 413 warnings received from the Commission’s European partners were published.

In 2024, more than 1000 materials were published on the institutional website of the FSC, of which: 226 news items, 470 decisions, 42 statistical publications, and 388 other materials.

In the area of the capital market 8 summarizing materials were published during the year on the average daily number of transactions for the issues of shares admitted to trading on the Bulgarian Stock Exchange.

For the supplementary pension insurance, regular quarterly statements, statements of the rate of return of the supplementary pension funds on an annual basis, the results of the changes in the participation and the transfer of insured persons’ funds from one pension fund to another, materials for the funds accumulated in the supplementary pension funds.

In the field of insurance, periodic updated were carried out of the lists of Bulgarian and foreign insurers and insurance brokers, the insurers and insurance intermediaries from the EU Member States that had informed the FSC they wish to carry out activity on the territory of the Republic of Bulgaria, as well as the lists of Bulgarian insurers and reinsurers intending to carry out insurance activities on the territory of the EU.

Legal documents from European legislation – including directives of the European Parliament and of the Council of the European Union, regulations, and decisions – are published under the “European Affairs” section.

The section titled “Collective Investment Schemes and Management Companies from the European Union” has been updated in accordance with the notifiable circumstances listed in Ordinance No 15 of 05.05.2004 on the maintenance and storage of registers by the Financial Supervision Commission and the circumstances subject to registration.

In 2024, the “Careers” section was redesigned.

The “For Consumers” section was updated in cooperation with the Directorate for Analysis, Complaints and Resolution.

An indicator of the effective online communication maintained throughout the year is the high number of website visitors. Between January 1 and December 31, 2024, the www.fsc.bg website was visited by over 141,584 users.

Online channels of the FSC

The website “Your finances” (<http://www.tvoitefinansi.bg>) is consumer-oriented and enables the consumers of financial services to be informed easily and conveniently of the main specifics in the three sectors of supervision carried out by the FSC. Information on consumer rights and advice that would be of interest to visitors on various cases is also published.

The FSC #Invest safely campaign was part of the "World Money Week" with lectures to the students of the First English High School, National High School of Trading and Second German Language School.

In 2024, the Commission positioned itself very successfully in the LinkedIn professional network. The total number of visitors for the past year was 2689. The majority of visitors are from the financial services, banking, IT and insurance sectors. The total number of followers is 1185, with 318 new followers for the year.

The YouTube channel of the Commission provides another opportunity to communicate with citizens and supervised persons in the form of videos. As at 31.12.2024, 36 videos have been published. The channel has 96 subscribers. The video about the mobile application of the FSC attracted the most interest.

The Financial Supervision Commission also has a business profile that allows monitoring the interaction with users or how many people specifically searched for the Commission or similar institutions, how many called directly after the search result, how many viewed the information based on the displayed result, how many searched for the location of the FSC in Google Maps and other similar indicators. The searches of the FSC total 31,911.

In 2024, 31 news items related to the FSC's activities were published in the FSC Mobile app. The information is updated in a timely manner, when the lists of supervised persons and the supervisory calendar change.

Information Hub

In 2024, the Financial Supervision Commission's Information Hub received a total of 3,885 calls from citizens and supervised entities, of which: 69 concerned social insurance supervision, 1,286 concerned insurance supervision, and 1,420 concerned investment supervision, the remaining calls were related to administrative matters. Out of the total, 2,562 inquiries were related to the three areas of the non-bank financial sector. In percentage terms, the largest number of inquiries are related to the Insurance Supervision - 35%, followed by Investment Activity Supervision Division- 30%, and Social Insurance Supervision Division with 2%. There were 1323 calls from citizens and supervised entities related to administrative

issues. There were 24 on-site visits by citizens. By month, telephone inquiries are as follows: 682 in January, 414 in February, 460 in March, 334 in April, 279 in May, 301 in June, 380 in July, 189 in August, 150 in September, 269 in October, 240 in November and 187 in December.

The trend for the highest number of calls is in January in connection with the submission of annual reports and statements by 31.01.2023, as well as payment of fees for general financial supervision by supervised entities of the FSC.

The most frequently asked questions by citizens to the FSC Information Hub are in connection with the filing of complaints and reports against insurers for unpaid claims within the legal term, as well as other regulatory violations; inquiries for verification of licensed investment firms, as well as complaints against unlicensed firms; questions about universal pension funds and the transfer of funds between them and the National Social Security Institute; inquiries about voucher books and owned shares in the former privatization funds, holding examinations for legal capacity.

Using the internal communication channels, the Information Hub provides expert assistance to those who have sought information and assistance. The result of the effectiveness of the FSC Information Hub is the maintenance and strengthening of the positive image of the Commission.

Participation of the members and experts of the FSC at financial forums in Bulgaria.

In 2024, the leadership team and experts of the Financial Supervision Commission (FSC) took part in numerous forums, events, and discussions.

On 15 January, Mr. Boyko Atanasov, Chair of the FSC, was among the official guests at the 23rd award ceremony for investment firms and banks that achieved the best results in 2023.

On 7 February, Ms. Maria Filipova – Deputy Chair in charge of the Investment Activity Supervision Division, took part in the first Think Tank meeting of the year, organized by the Centre for Sustainable Finance and Energy, dedicated to ESG opportunities and challenges. The goal of the meeting was to enhance ESG compliance in the country on its path toward sustainable development.

On March 1, the Commission participated in the 7th annual seminar titled “Annual Reporting of Public Companies,” organized by the Association of Investor Relations Directors in cooperation with the Institute of Certified Public Accountants. The event brought together over 100 investor relations directors, registered auditors, CFOs, accountants of public companies, and audit committee members.

In March, Ms. Maria Filipova – Deputy Chair in charge of the Investment Activity Supervision Division, and Ms. Diana Yordanova – Deputy Chair in charge of the Social Insurance Supervision Division, joined the global initiative "Ring the Bell for Gender Equality."

The Commission also took part in the “Global Money Week” initiative. In March 2024, the campaign ran under the slogan “Protect your money, secure your future!” and focused on safe investing. It highlighted the importance of responsible and informed financial decision-

making, potential risks in the financial sector, and the prevention of online financial fraud, phishing, and risks to the confidentiality of personal data.

On 11 April, the FSC Chair opened the first-ever Investor Day in Bulgaria, organized by the Bulgarian Stock Exchange. The event, dedicated to the development of the local capital market, brought together over 40 of the largest companies in Bulgarian business alongside Europe's investment elite. The event, dedicated to the development of the capital market in the country and gathering the investment elite of Europe, was attended by over 40 of the largest companies in Bulgarian business. Investors, analysts, and industry stakeholders discussed the vision, performance, and growth strategies for Bulgaria's capital market.

In April 2024, the FSC held a series of strategic and operational-level meetings with the Croatian Financial Services Supervisory Agency to share best practices in the euro adoption process.

On 23 April the FSC was represented at the Technovation 2024 forum organized by Manager magazine by Dr. Neda Muzho, Head of the Department for Public Companies, Securities Issuers, and Special Purpose Investment Companies. The forum addressed the topic of regulation in Bulgaria, its functioning, and the benefits it creates for the Fintech sector.

On May 30, Mr. Boyko Atanasov opened the first working meeting dedicated to corporate governance. The event focused on the OECD Principles and the amendments to the National Corporate Governance Code. Representatives of the investment community discussed the importance of strong corporate governance in building resilient and reputable companies on the Bulgarian and international capital markets.

In 2024, the FSC also participated in the 13th award ceremony of the national Young Auditor competition. Deputy Chair Diana Yordanova, in charge of the Social Insurance Supervision Division, was among the official guests. Over 50 students from 10 universities across the country took part in this prestigious competition, which reaffirmed the importance of collaboration between academia, institutions, and business for the development of young professionals.

On 10 July the FSC organized and hosted the pivotal conference Future Challenges and Expectations in the Non-Banking Financial Sector. The conference promoted a well-informed, cooperative, and sustainable environment in light of the implementation of key European regulations – namely, the Digital Operational Resilience Act (DORA) and the Markets in Crypto-Assets Regulation (MiCA). More than 300 participants from the investment, insurance, and pension sectors took part in discussions, panels, and presentations dedicated to the OECD Principles of Corporate Governance in Bulgaria and overarching European regulations.

On 1 October the Chair and Deputy Chairs of the Financial Supervision Commission attended the official award ceremony honouring the best insurance and pension insurance companies in Bulgaria for 2023.

On 14 November FSC representatives participated in a seminar organized by the Bulgarian Association of Investor Relations Directors titled How to Get Involved: Practical Tips to Support Corporate Sustainability Reporting – 2024.

On 21 November, Mr. Boyko Atanasov officially opened the Investor Finance Forum 2024, the region's largest annual gathering of the financial and investment community. FSC experts participated as panellists in the "Net Zero Economy" and "Fintech" sessions.

On 10 December, Mr. Boyko Atanasov and Ms. Diana Yordanova participated in the fourth edition of the Powers Summit, held at Sofia Tech Park. During the "Finance" track, in the panel Investments and Social Security – Developing the Three-Pillar Pension Model, Ms. Yordanova emphasized the importance of introducing a multi-fund model. Mr. Atanasov advocated for increasing basic financial literacy among the population.

On December 13, Ms. Yordanova took part in the 11th Plenary Session of the Economic and Social Council. During the session, the draft Analysis of the Existing Pension System and Proposals for Its Improvement was presented and discussed.

Media communications

In 2024, active communication was carried out with the media, using various channels in order to inform consumers of financial services and increase public confidence in the activities of the Commission.

During the year, 226 news items were published on the website. Answers to journalist questions are provided on a daily basis.

During the year the experts and management of the Financial Supervision Commission was actively present in the media.

In February 2024, the Chair of the Financial Supervision Commission (FSC), Mr. Boyko Atanasov, gave an interview for the section "Fintech Trends for 2024" of the Bulgarian Fintech Association.

At the end of March, Mr. Vladimir Savov – Deputy Chair of the Financial Supervision Commission, in charge of the Insurance Supervision Division, commented in bTV's morning program on the amendments to the Insurance Code, specifically the "bonus-malus" system for the compulsory "Motor Third Party Liability Insurance".

In May, Mr. Vladimir Savov also gave a special interview to Banker in which he discussed the "bonus-malus" system.

In June 2024, Ms. Verena Ross – Chair of the European Securities and Markets Authority – gave a special interview to Capital newspaper. In the interview, she outlined key strategies for regulating crypto-assets in order to protect investors, safeguard the integrity of the European financial market, and ensure financial stability.

In July, as part of the Commission's strategic initiative to promote a well-informed, collaborative and resilient environment for the implementation of the OECD Principles of Corporate Governance in Bulgaria and the relevant European regulations – the Digital Operational Resilience Act (DORA) and the Markets in Crypto-Assets Regulation (MiCA) – Mr. Boyko Atanasov gave a special interview for Bulgaria ON AIR.

Later that month, Mr. Atanasov was a guest on Bloomberg TV Bulgaria's morning program Business Start. The discussion focused on the future challenges and expectations in

the non-bank financial sector related to the OECD Principles of Corporate Governance in Bulgaria, DORA and MiCA.

On 6 August, the Deputy Chair of the FSC – Ms. Diana Yordanova, in charge of the Social Insurance Supervision Division – was a guest on bTV News in connection with the OECD’s positive assessment of supplementary pension insurance in Bulgaria and its future enhancement, including the introduction of consumer choice among different investment strategies according to life cycle and risk tolerance, known as the “multi-fund model”.

On the same topic, Ms. Yordanova was also a guest on the program Our Day of the Hristo Botev channel on Bulgarian National Radio.

In September 2024, Ms. Anka Kostova – Director of the Public Relations and Protocol Directorate – spoke on the program Our Day on Bulgarian National Radio about the Commission’s educational programs and the enhancement of financial literacy among young people.

In early December, Mr. Boyko Atanasov gave an interview for Bulgaria ON AIR on topics including motor third party liability insurance, attracting investors, and Bulgaria’s upcoming accession to the euro area.

At the end of 2024, Mr. Petar Dzhelepov – member of the FSC and acting Deputy Chair in charge of the Investment Activity Supervision Division, gave a special interview to Banker Special, in which he spoke about the challenges in his professional career, the strong team of individuals and professionals working at the FSC, as well as the state of the financial markets in Bulgaria on the threshold of 2025.

In 2024, the activities of the FSC were actively covered in the media with a total of over 300 publications from over 246 sources.

Two monitoring reviews are prepared daily - a review of media publications related to the activities of the FSC and the leading financial, economic and political news. A total of 661 monitoring reviews were prepared for 2024, 13 of which were related to extraordinary news and topics.

5.2. Complaints and inquiries by consumers of non-banking financial services

The protection of the interests of investors, insured, and socially insured persons is one of the statutory objectives of the FSC. The handling of complaints filed against entities supervised by the Commission is a core function of the FSC member under Art. 3, item 5 of the FSC Act.

Feedback from consumers has an important role in the supervisory activity of the FSC and contributes to disciplining the

non-banking financial services market. Shared consumer experiences serve as an indicator for the Commission of the level of consumer satisfaction, including potential violations of their rights.

For complaints submitted to the FSC, individual inspections are carried out, with written explanations and documents requested from the supervised entities. The inspection concludes with a response to the complainant, which reflects the FSC’s position on the specific case and provides information on possible follow-up actions

the consumer can take if they still believe their rights have been violated.

The analysis of complaints submitted to the FSC helps identify practices that infringe on consumer rights, initiate legislative proposals when necessary, and organize information campaigns aimed at improving consumer satisfaction with products and services in the insurance, investment, and supplementary social sectors. In cases of violations of consumer rights, the FSC issues recommendations to supervised entities, imposes coercive administrative measures, draws up statements of findings, etc.

Following the European strategy to provide consumers with opportunities for alternative dispute resolution and the mechanisms under the Consumer Protection Act, the FSC promotes out-of-court dispute resolution between consumers and entities supervised by the FSC, informing them about the activities of sectoral conciliation commissions established with the Commission for Consumer Protection. The sectoral conciliation commissions give consumers the opportunity to pursue their rights without burdensome court costs.

In 2024, the FSC received 978⁷ complaints and inquiries related to the activity of entities supervised by the FSC. A slight increase is observed compared to 2023, when the number of complaints and inquiries relevant to the activities of the FSC are 970. The sectoral review of complaints includes an analysis of their number, trends, and specific underlying reasons.

Over the last five years, the overall number of complaints and inquiries related to the FSC's activity has been declining, except for the most recent year. In 2021 compared to 2020, complaints decreased by 19% – from 1,492 to 1,204. This trend continued in 2022 compared to 2021, with a 14% decrease – from 1,204 to 1,039 complaints. In 2023 compared to 2022, the decline was 7% – from 1,039 to 970 complaints. For 2024 compared to 2023, a slight increase is observed – from 970 to 978 complaints.

The presented analysis for 2024 is based on 1,104⁸ complaints and inquiries that fall within the FSC's competence, including those that are outside its jurisdiction.

Regarding complaints within the FSC's competence (excluding inquiries), the period 2020–2024 shows a decreasing trend in their number. In 2021 compared to 2020, the number dropped from 993 to 990 complaints; in 2022, they amounted to 841;

in 2023, they decreased to 771; and in 2024, they totaled 763.

In addition to complaints, the FSC also receives inquiries relevant to its activities. The data below include inquiries from consumers concerning specific consumer-related cases. Inquiries purely concerning the regulations are processed by the specialized administration.

In 2024, 97 inquiries were received – a 70% increase compared to 2023, when there were 57.

The FSC also receives complaints that do not fall within its jurisdiction. Pursuant to Art. 178, para. 6 of the Consumer Protection Act, the FSC forwards such complaints to the competent authorities for the respective matters, with each complainant being notified accordingly.

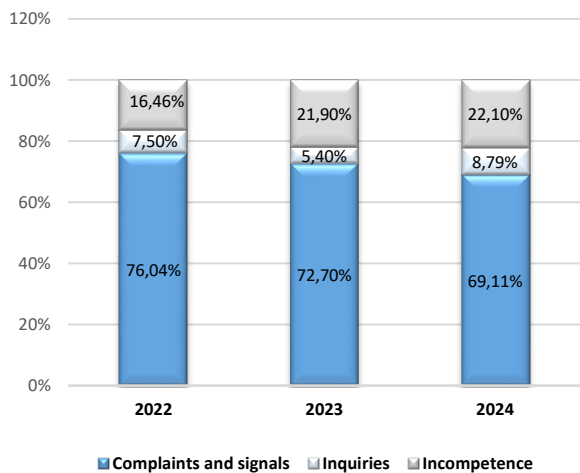
The statistics analyses for the period from 2020 to 2024 show a gradual increase in the number of complaints outside competence - 191 in 2020, peaking at 260 in 2021, decreasing to 182 in 2022 and rising again to 232 in 2023, and 244 in 2024.

⁷ The figure of 978 complaints is obtained by excluding, from the total 1,281 received submissions, those complaints and inquiries that are not related to the actions of entities supervised by the FSC, as well as duplicate complaints (i.e., complaints filed by the same individual regarding the same case more than once). The number 978 represents complaints and inquiries received within

the FSC's competence in 2024. Of these, 118 are: being handled by the specialized divisions; under review and pending a response; lacking key information necessary for the review, which has not yet been provided by the complainant.

⁸ Addressed to the Analyses, Complaints and Resolution Directorate and prepared responses to complaints.

Graph 1. Dynamics of complaints, inquiries and signals filed with the FSC



Source: FSC

Complaints falling within the FSC’s competence represented 69.11% of all complaints and inquiries received in 2024. A slight decrease was observed compared to 2023, when this share stood at 72.70%.

For comparison, the share of complaints within the FSC’s competence over the past five years was as follows: 83.40% in 2020, 74.40% in 2021, 76.04% in 2022, 72.70% in 2023, 69.11% in 2024.

For the last 5 years, the share of inquiries varies between 0.60% and 8.79%. An increase was recorded from 0.60% in 2020 to 6.20% in 2021. In 2022, the share rose further to 7.50%. A decrease followed in 2023, down to 5.40%, before rising again to 8.79% in 2024. The increase in consumer inquiries in 2024 can be explained by the upcoming entry into force of new regulations in 2025 and the additional powers and responsibilities assigned to the FSC under the Act on Markets in Crypto-assets.

Complaints within the competence of the FSC represent 74.80% of all complaints received in the first quarter of 2024. In the second quarter their share was 69.10%. In

the third quarter it decreased to 63.90%, and in the fourth quarter it was 69.30%.

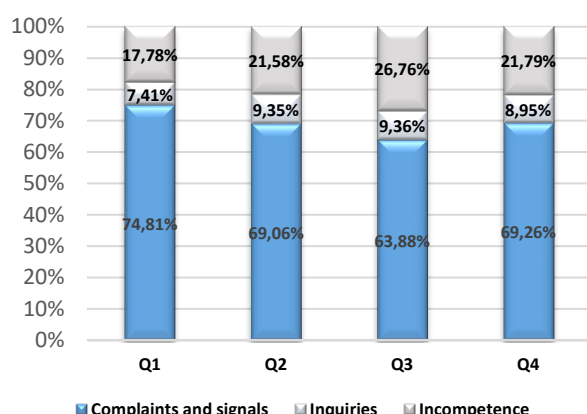
The share of complaints outside the FSC’s competence increased during the five-year period under review: In 2020 they represent 16.10% of the total complaints and inquiries received, in 2021 - 19.10%, for 2022 they show a slight decline and reach 16.50%, in 2023 they increase to 21.90%, and in 2024 they increase to 22.10%, and this share is relatively maintained and observed during the quarters of the year.

In the first quarter of 2024, complaints, signals and inquiries not related to the activities of the FSC have the lowest share - 17.78% of all received complaints, signals and inquiries, in the second quarter they increased to 21.58%, in the third quarter they were 26.76%, and in the fourth quarter they decreased to 21.79%. The quarterly dynamics indicate a clear upward trend in the number of complaints, signals, and inquiries falling outside the FSC’s competence, except in the last quarter of the year. It should be noted that the final month of the year includes fewer working days and lower consumer activity.

In terms of inquiries received by the FSC in 2024, an increase was observed in the first three quarters, followed by a slight decline in the fourth quarter.

For the first quarter the inquiries represented 7.41% of the total number of complaints, signals and inquiries received by the FSC, for the second quarter they represented 9.35%, for the third quarter for 9.36% and for the fourth quarter- 8.95%.

Graph 2. Dynamics of complaints, inquiries and signals filed with the FSC by types and quarters



Source: FSC

Of the 763 complaints received in 2024, for which the institution is competent, most were complaints from consumers of the insurance market - 680. The number of complaints related to the services offered on the social insurance market is only 55. There are 28 complaints against actions of persons operating on the investment market.

In 2024, compared to 2023, the number of complaints concerning the insurance market remains the same (681 complaints in the insurance sector in 2023).

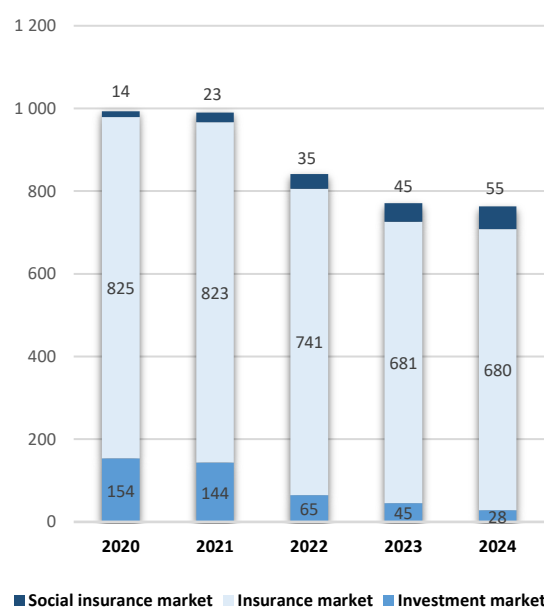
For the five-year period under review, there is a general trend towards an increase in complaints on the social insurance market. In 2020 there were 14, rising to 23 in 2021, 35 in 2022, 45 in 2023 and rising to 55 complaints in 2024.

Notwithstanding the increasing trend in the number of complaints in the insurance sector, it should be noted that the number of complaints is insignificant in relation to the number of persons insured under supplementary pension insurance.

For the period 2020-2024, there is a decline in the number of complaints received from consumers in the investment market. In 2020 there were 154 complaints, in 2021 there were 144 complaints, in 2022 there were 65 complaints, in 2023 there

were 45 complaints and in 2024 there were 28 complaints. In view of the downward trend in the number of complaints from consumers of services on the investment market, it should be noted that the objective of MFIA promulgated in 2018, namely to increase the transparency of markets for financial instruments, to enhance investor protection and to prevent unregulated trading in financial instruments, has largely been met. MFIA introduces into Bulgarian legislation the requirements of Directive 2014/65/EU, building on the existing legal regime for the organisation and operation of investment firms and regulated markets for financial instruments as of 2018.

Graph 3. Dynamics of complaints at the FSC by markets

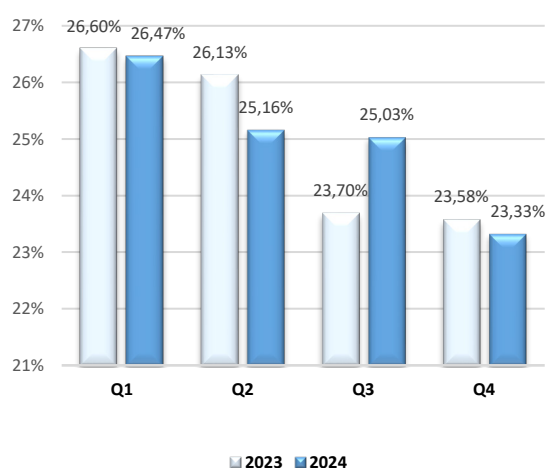


Source: FSC

No clear trend of increase or decrease was observed in the number of complaints within the FSC's competence received during the quarters of 2024 compared to 2023. In the first quarter of 2024, they represented 26.47% of all complaints within the FSC's competence for the year,

compared to 26.60% in the same period of 2023. In the second quarter of 2024, they represented 25.16% of the annual total, while in the same quarter of 2023, their share was 26.13%. In the third quarter of 2024, they represented 25.03%, whereas in the third quarter of 2023, they represented 23.70% of the annual total. In the fourth quarter of 2024, complaints within the FSC's competence represented 23.33%, compared to 23.58% in the fourth quarter of 2023.

Graph 4. Dynamics of complaints filed with the FSC by quarters



Source: FSC

In 2024, complaints from consumers of products and services on the insurance market represented the largest share of complaints within the FSC's competence – 89.12%. For the 2020–2024 period, their share remained above 80%.

The share of complaints from consumers of supplementary pension insurance services out of all admissible complaints remained relatively low over the past five years. A slight increase was observed over the period: 1.40% in 2020, 2.32% in 2021, 4.16% in 2022, 5.84% in 2023, and 7.21% in 2024.

Table 25. Dynamics of the structure of complaints by market segments

Market	2020 (in %)	2021 (in %)	2022 (in %)	2023 (in %)	2024 (in %)
Insurance	83.10	83.13	88.11	88.30	89.12
Investment	15.50	14.55	7.73	5.84	3.67
Social Insurance	1.40	2.32	4.16	5.84	7.21

In 2024, complaints from consumers of investment services declined and represented 3.67% of all admissible complaints submitted to the FSC, continuing the overall downward trend observed for the 2020–2023 period. For comparison, their share was 15.50% in 2020, 14.55% in 2021, 7.73% in 2022, and 5.84% in 2023.

A significant share of the complaints related to the investment market concern unlicensed firms. Given the constant emergence of new technologies and the introduction of new investment products and services on the market, consumers are faced with the challenge of accessing them remotely via electronic platforms.

The FSC undertakes various initiatives to protect consumers, aiming to inform the public about safe investing practices, potential risks for consumers, and the specific characteristics of financial products.

Table 26. Distribution of complaints for 2024 by quarter relative to the sector for the year

Market	2024 (in %)			
	Q1	Q2	Q3	Q4
Insurance	25.74	24.56	26.18	23.52

Investment	39.29	32.14	17.86	10.71
Social Insurance	29.09	29.09	14.55	27.27

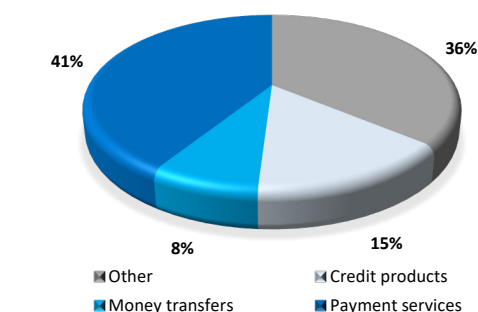
The share of complaints in the insurance sector remained relatively stable across the quarters of 2024. In contrast, complaints related to the capital markets showed higher activity during the first two quarters, followed by a decline in the third and fourth quarters. Complaints in the social insurance sector remained steady, except in the third quarter, when a decrease to 14.55% was observed.

In addition to complaints within competence, the FSC also received complaints and signals that do not fall within the scope of the insurance, investment, or social sectors.

Pursuant to Art. 178, para. 6 of the Consumer Protection Act, complaints and signals that do not fall under the FSC's competence are forwarded to the competent authorities responsible for the respective matters.

In 2024, the largest share of complaints outside the competence of the FSC concerned payment services – 41%. Second in volume were complaints related to credit products – 15%. Complaints concerning money transfers ranked third – 8%, while the remaining 36% concerned various other matters not falling into the above categories.

Chart 5. Structure of complaints falling outside the competence of the FSC in 2024

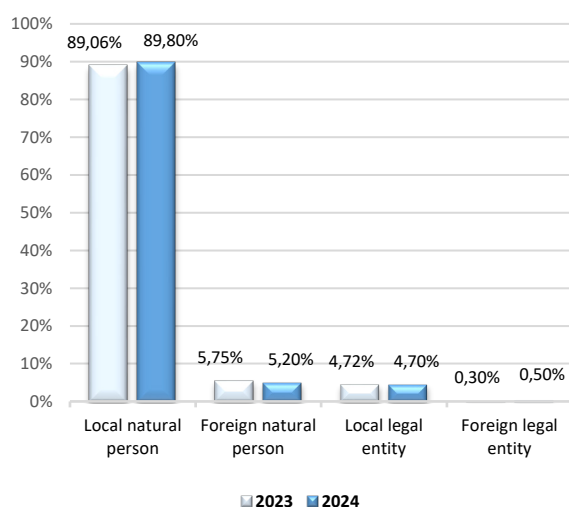


Source: FSC

The majority of complaints deemed outside the FSC's competence in 2024 were related to the activities of the Bulgarian National Bank (BNB), accounting for 64% of such complaints. The remaining 36% fell under the competence of other institutions, including the CCP, the courts, the Prosecutor's Office, the SANS and others.

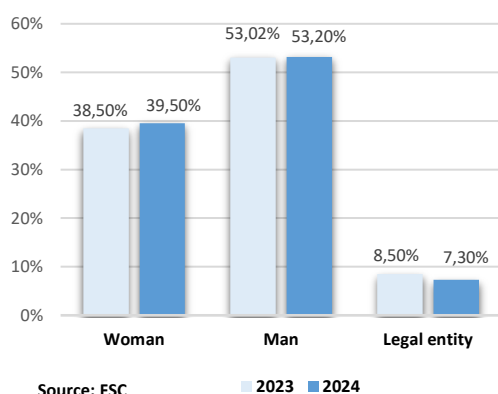
An analysis of complaints and inquiries by legal entity status shows that those submitted in 2024 by Bulgarian natural persons represented 89.80% of all submissions, compared to 89.06% in 2023. Complaints from Bulgarian legal entities remained stable at 4.70% in 2024, compared to 4.72% in 2023. Complaints from foreign natural persons represented 5.20% in 2024, while those from foreign legal entities accounted for 0.50% in 2024.

Chart 6. Dynamics of complaints, inquiries and signals by legal entities



An analysis of the complaints received in 2024 from the perspective of the complainants seeking to exercise their rights shows that men were more active than women – 53.20% compared to 39.50%, while legal entities represented 7.30%. The situation was similar in 2023, with men representing 53.02%, women 38.50%, and legal entities 8.50%.

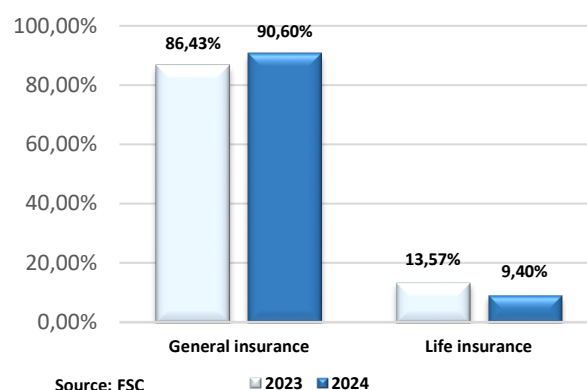
Chart 7. Dynamics of complaints, inquiries and signals by legal entity and gender



Insurance market

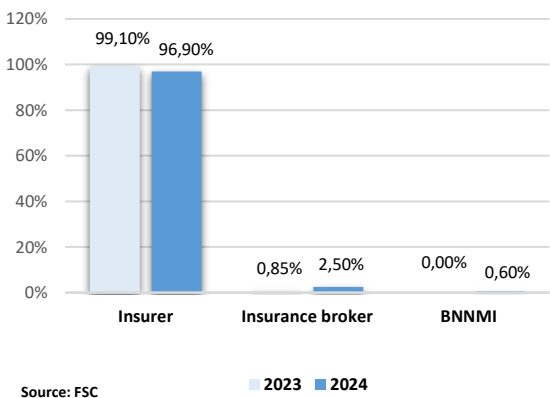
The trend in complaints from consumers of insurance products and services has remained consistent over the years, with these complaints holding the highest relative share again in 2024. Complaints against services and products offered by non-life insurance companies represented 90.60% in 2024, continuing to represent the majority of insurance-related complaints, compared to a share of 86.43% in 2023. The share of complaints relating to products and services offered by life insurance companies falls slightly to 9.40% in 2024 from 13.57 % in 2023.

Chart 8. Dynamics of complaints related to non-life and life insurance



From the perspective of the entity against which the complaint was submitted, the analysis shows that complainants most frequently express grievances against insurance companies – represented 96.90% in 2024 compared to 99.10% in 2023. In 2024, complaints were also submitted against the actions of insurance brokers and the National Bureau of Bulgarian Motor Insurers (NBBMI), although their share was negligible.

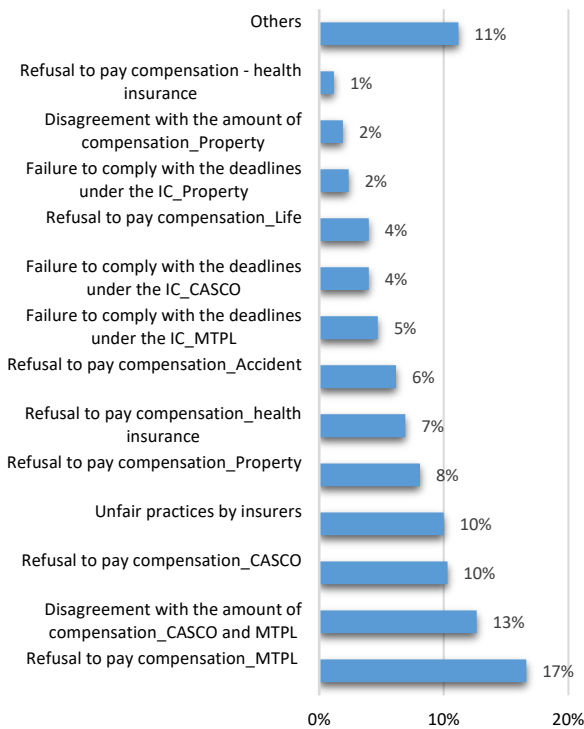
Chart 9. Dynamics of complaints in terms of supervised entities operating on the insurance market



With regard to the subject matter of the complaints, in 17% of the complaints in the insurance sector, the reason was related to a refusal to pay compensation under Motor Third Party Liability insurance. The second most common group, represented 13%, includes complaints in which the complainants dispute the amount of compensation paid under Casco or Motor Third Party Liability insurance. In third place, with 10% each, are complaints concerning refusal to pay compensation under property Casco insurance and complaints about unfair practices by insurers.

By comparison, in 2023 the most common subject of complaints in the insurance sector concerned unfair practices by insurers.

Chart 10. Distribution of complaints in the insurance market by subject of complaint in 2024



Social insurance market

Given the increasing number of individuals reaching retirement age and becoming eligible for supplementary mandatory pension benefits, the gradual rise in inquiries and complaints in this sector is not surprising. It is important to note, however, that the number of complaints in relation to the number of insured persons remains insignificant.

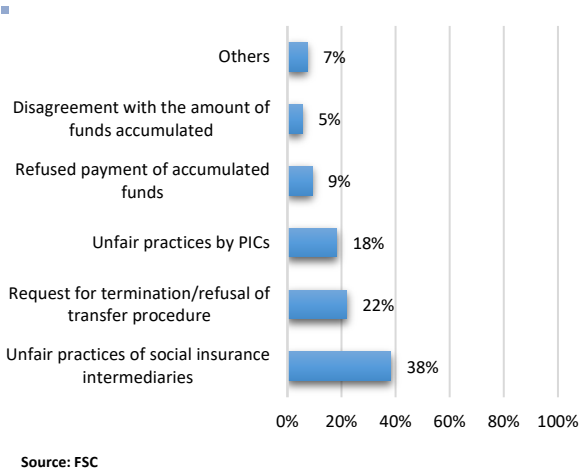
The Social Insurance Code provides for various mechanisms to protect the assets of individuals insured under the supplementary mandatory pension scheme, such as: guaranteeing a minimum return at the fund level, and guaranteeing the total amount of the gross transferred contributions to the UPF at the time of retirement, among others.

In the social insurance sector, the most common subject of complaints submitted to the FSC in 2024 relates to unfair practices by insurance intermediaries. These represent 38% of all complaints received in

this sector. In second place are complaints related to requests for cancellation or withdrawal from the procedure for transferring funds from insured persons’ individual accounts – 22%. Almost 18% of complainants reported unfair practices by social insurance companies, 9% complained about refusal to pay out funds, 5% disagreed with the amount accumulated in their individual accounts, and 7% submitted complaints with other subject matters.

By comparison, in 2023 the largest share of complaints concerned unfair practices by socialinsurance companies – 27%.

Chart 11. Distribution of complaints in the social insurance market by subject of the complaint in 2024

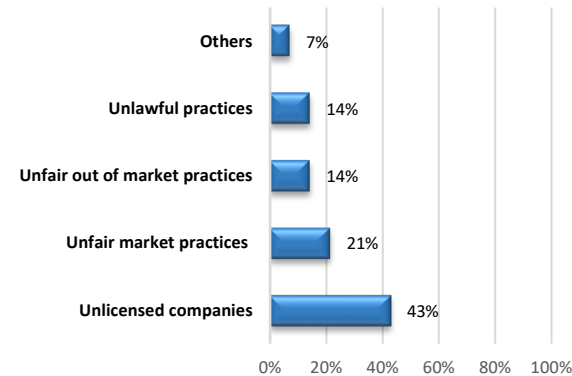


The trend of complaints related to the social insurance market and concerning mainly UPFs, remained unchanged in 2024. Their share was 98.0% of all complaints received in relation to the social insurance market. This predominant share was explicable because all workers born after 31.12.1959 were secured in UPFs.

Investment market

The number of complaints from consumers of investment services has been decreasing over the years, with a consistent trend across all years – the largest share of complaints in the sector concerns companies operating without a license. The FSC makes use of its legal powers to take action and limit the provision of investment services by unlicensed firms in order to protect investors.

Chart 12. Distribution of complaints in the investment market by subject of the complaint in 2024



Source: FSC

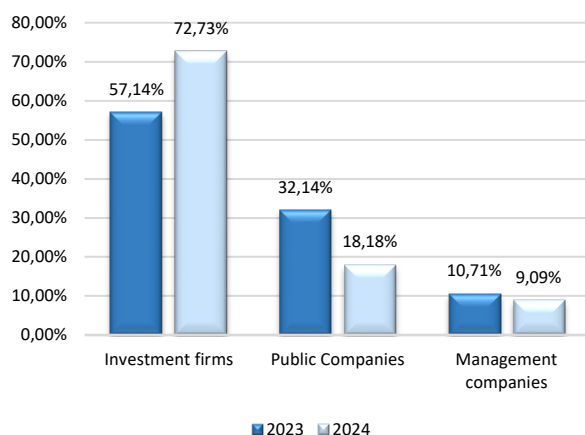
The analysis of the complaints received shows increased activity in the remote sale of investment products – on the telephone or via electronic platforms, as well as of complex financial instruments that were difficult for consumers to understand and for which, according to the legal requirements, an assessment of the pertinence and appropriateness of the financial service.

With regard to investment-related complaints, the highest number of complaints in 2024 concern the actions of firms operating without a license, representing a share of 43%. Complaints related to unfair market practices represent 21%, while those concerning unfair practices outside the scope of market

conduct and unlawful practices represent 14%.

As for the distribution of complaints against entities supervised by the FSC, by type of firm, the largest share in 2024 is held by complaints against investment firms – 72.73%, followed by complaints against public companies – 18.18%, and complaints against management companies – 9.09%. For comparison, in 2023 the largest number of complaints from consumers of investment services were also submitted against investment firms, though their share was lower – 57.14%, while complaints against public companies amounted to 32.14%, and those against management companies remained at 9.09%.

Chart 13. Distribution of complaints in terms of supervised entities operating on the investment market



Results from the processing of complaints, signals and inquiries in the FSC

The Financial Supervision Commission registers and conducts a review of each complaint, signal, or inquiry submitted by a consumer of insurance, investment, or social services. In order to protect consumer rights, the FSC requires

relevant documents and explanations from the supervised entities.

Where the FSC intervenes, the consumer receives assistance in asserting their rights before the company with which the respective contract has been concluded. The FSC aims to provide assistance within the scope of its statutory powers and, where it lacks competence over a particular case, it directs the consumer to the competent institution.

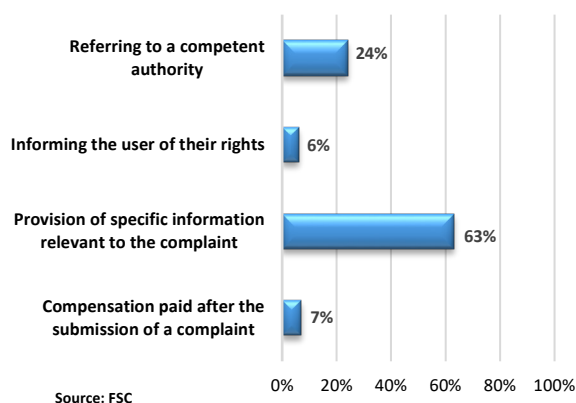
It is important to note that in the insurance sector, insurance indemnity is paid in 11% of the cases following FSC intervention.

In some cases, the complaints submitted to the FSC concern civil disputes between the complainant and the supervised entity, which fall outside the FSC's competence and, in accordance with applicable legislation, should be referred to the competent court or sectoral conciliation commission for consideration.

In response to complaints, the FSC informed the complainants that they had the possibility of extrajudicial settlement of disputes thus informing the consumers about the possibility for faster dispute settlement without any costs.

An analysis of complaints, inquiries, and signals shows that in 63% of the cases, the complainant is provided with a specific information relevant to the complaint; in 24% of the cases, the complaint, signal, or inquiry is referred to another competent authority due to a lack of jurisdiction on the part of the FSC; in 7% of all submitted complaints, signals, and inquiries, compensation is paid; and in 6% of the cases, the consumer is informed of their rights.

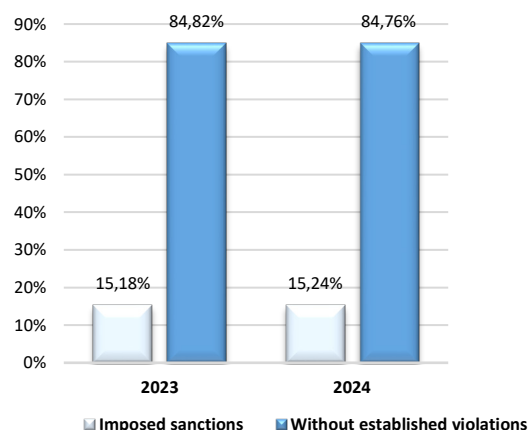
Chart 14. Structure of the actions undertaken in response to complaints, inquiries and signals received by the FSC in 2018



In cases where violations of statutory provisions were found during a complaint examination, the FSC took action to hold the regulated entities responsible under the administrative regulations by drawing up statements for established administrative violations and by implementing coercive administrative measures. The FSC approaches the law enforcement authorities as necessary.

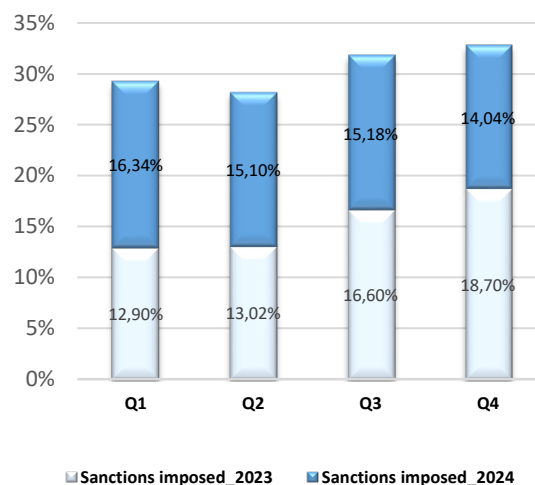
As a result of the inspections carried out, the number of cases in which sanctions are imposed and compulsory administrative measures are applied to supervised entities will remain the same in 2024 - 15.24% of all complaints received in 2024, compared to 15.18% in 2023.

Chart 15. Penalties and coercive measures imposed under the received complaints



The highest share of detected violations by entities supervised by the FSC is reported in the first quarter of 2024 - 16.34%, and the lowest in the fourth quarter of the year - 14.04%.

Chart 16. Penalties and coercive measures imposed under the received complaints



The analysis of the results of the inspections carried out on complaints and inquiries, as well as the actions taken by the FSC, shows a positive effect of the regulator's actions.

5.3. Policy for financial literacy

In 2024, the Financial Supervision Commission remained firmly committed to enhancing the public's financial literacy – one of its key strategic priorities.

The series of events began with the FSC's participation in Global Money Week. This past year, the initiative was held under the motto "Protect your money, secure your future!" and focused on safe investing, emphasizing the importance of a responsible and informed approach to personal finance, the potential risks within the financial sector, the prevention of online financial fraud and phishing, as well as issues concerning personal data privacy.

Initiatives were carried out among young people to promote the Commission's digital campaign #InvestSafely, with the participation of over 190 students from three of Sofia's leading secondary schools: the First English Language School, 73rd Secondary School "Vladislav Gramatik," and the National Trade and Banking High School. The students learned basic concepts related to online capital markets and gained an understanding of the risks associated with the virtual world of investing. Their knowledge was reinforced through an interactive quiz game with questions on digital investing, and the most active participants received symbolic prizes.

For the 22nd consecutive year, the FSC, in partnership with the Atanas Burov Foundation and the Ministry of Education and Science (MES), held the educational program "The Non-Bank Financial Sector in Bulgaria" from 9 to 13 September, officially opened by Mr. Boyko Atanasov. The initiative involved upper class students from the State High School of Economics and Finance "Intellect" - Pleven, Varna Trade School "G.C. Rakovski" - Varna, Professional School of Economics and Management "Elias Canetti" - Ruse, Professional School of Economics, Administration and Service "Atanas Burov" - Silistra, Professional High School of Economics "Prof. Dr. Dimitar Tabakov" - Sliven, High School of Trade "Knyaz Simeon Tarnovski" - Stara Zagora, High School of Commerce - Burgas, National High School of Trade and Banking- Sofia, National High School of Finance and Accounting- Sofia, National High School of Trade - Plovdiv, Professional High School of Light Industry and Economics "Atanas Burov". Key topics from the non-bank financial sector were covered, including the three-pillar pension model, the development of the insurance market in Bulgaria, types of insurance products, financial instruments on the capital market, trading on the BSE, the Green Deal, the upcoming implementation of the new European regulations–DORA and MiCA, the OECD Principles of Corporate Governance, and consumer protection. The theoretical knowledge was followed by practical sessions held at the Association of Bulgarian Insurers, UBB Pension Insurance, DZI, the BSE, and the financial group Elana.

The Commission also carried out another initiative in partnership with the Ministry of Education and Science (MES) – in the autumn, a series of webinars titled "Investments, Insurance, and Pension Products – Opportunities and Risks" were held to introduce young people to the non-bank financial sector in Bulgaria, the opportunities and risks associated with using digital financial products, as well as the benefits and challenges of operating in the capital, insurance, and pension markets in the country. More than 1,000 high school students from 90 schools across the country participated in the online events.

Throughout the past year, the information on the Commission's established communication tools continued to be updated: the website – www.fsc.bg, the consumer- and education-oriented website - www.tvoitefinanssi.bg, the #Investsafely campaign- - Financial Supervision Commission (fsc.bg) and the FSC mobile app- available in App store and Google store.

The Financial Supervision Commission (FSC) maintained an active presence on social media through the professional network LinkedIn, where it published five videos in support of ESMA's NCAs social media campaign: Fraud and Scams, providing clear, accessible, and practical information.

Additional informational videos were also published on relevant topics, including "Innovation Hub," "Be an active consumer and take part in the satisfaction survey," "Warnings concerning persons who provide investment recommendations," "Invest smartly in sustainability-related products," and "Know your consumer rights."

In September 2024, Ms. Anka Kostova, Director of the Public Relations and Protocol Directorate, participated in the OECD Annual Meeting on the Technical Project for Financial Literacy. The event, organized jointly with the Ministry of Finance of Montenegro, the Capital Market Authority, the Central Bank, and the Insurance Supervision Agency, brought together leading experts in the fields of financial education and consumer protection.

During the event, Ms. Kostova took part in a panel discussion moderated by Miles Larbey, Head of the Financial Consumer Protection, Education and Inclusion Unit at the OECD. Key topics included the need to adapt financial literacy initiatives to changing consumer behaviours, influenced by trends such as gamification and the growing impact of financial influencers. The discussion also addressed how consumer protection frameworks can mitigate risks associated with new forms of financial advice.

Together with fellow panellists – Michaela Mercier, Alp Eroglu, and Cameron Gilchrist – current challenges facing retail investors were explored, as well as ongoing projects aimed at enhancing financial literacy and awareness of financial products and risks.

6. Financial Technology Monitoring Strategy

In implementation of the Financial Technology (FinTech) Monitoring Strategy in the Non-Banking Financial Sector (2021–2024), in 2024 the Financial Supervision Commission continued its initiatives on: monitoring the insurance, investment, and insurance markets for the financial innovations in use; ensuring the protection of the rights of investors and users of innovative services; and promoting its activity in the field of innovation.

FSC experts participated in key events, such as: FinTech Summit 2024; training by the Green Centre on sustainable finance and the implementation of the Taxonomy Regulation and disclosure obligations for financial and non-financial institutions; working meetings of the European Forum of Innovation Facilitators (EFIF); the second meeting of the European Blockchain Regulatory Sandbox for regulators in partnership with Bird & Bird; meetings of the Insurance Task Force (ITF) under InsureTech; the Post-Trading Standing Committee (PTSC) and the Small and Medium Enterprise Committee (SMSC) of ESMA regarding the DLT (Distributed Ledger Technology) pilot; one-month training “AI in the Financial Sector”; a meeting of the High-Level Group on Digital Operational Resilience Act (DORA) Oversight (DORA HLGO); training at the Digital Financial Academy; working meetings of the Joint Committee Sub-Committee on Consumer Protection and Financial Innovation (JC SC CPFI); a meeting organised by the Cyprus supervisory authority on best practices – CySEC's Regulatory Sandbox Launch Event; a meeting with the OECD on “Strengthening the Innovation Capacity in the Public Sector of Bulgaria”; a panel on financial innovation development and the role of the FSC at the Investor.bg conference, including promotion of the Innovation Hub; training at the Sustainable Finance Hub (SF Hub); a meeting of ESMA's Digital Finance Standing Committee (DFSC) via MS Teams; and the Digital Hour event.

To promote the activities of the Innovation Hub, an informational publication was prepared and published on the FSC's website.

FSC representatives also took active part in the working groups of the European Supervisory Authorities ESMA and EIOPA, as well as in the organised workshops.

In 2024, experts from the FSC prepared responses and opinions on numerous questionnaires from the European supervisory authorities ESMA and EIOPA concerning financial innovations.

During the year, the Strategy for Monitoring FinTech Sector 2025–2027, including its Action Plan, was prepared, approved, and published on the FSC's website.

At the end of the year, the Report on the Implementation of the Strategy for Monitoring Financial Innovations for the period 2021–2024 was also prepared and published on the FSC's website.

In 2024, a seminar titled “Investments, Insurance, and Pension Insurance Products – Opportunities and Risks” was held, including a focus on financial innovations, in particular: smart contracts, crypto-assets, artificial intelligence, and robo-advisors. The seminar was conducted online and reached more than 1,000 students across the country over two consecutive days. It combined elements from the National Financial Literacy Strategy (in the

part concerning the FSC), the Action Plan to the FSC's Strategy for Monitoring Financial Innovations 2021–2024, and the FSC's Consumer Protection Program 2021–2024.

In 2024, within the established cooperation mechanism with the business sector – the Innovation Hub – the FSC promptly reviewed incoming inquiries regarding the regulatory framework and applicable law. For a more precise analysis of specific cases, meetings were held with representatives of the applicant companies.

7. International activity and cooperation

7.1. European dimension

The Financial Supervision Commission, as a participant in the ESFS, is actively involved in the activities of the European supervisory authorities (ESMA and EIOPA) in order , to associate the Bulgarian non-bank sector to the single European financial market and achieving a high degree of convergence of supervisory practices. The FSC is a full member and participates in the meetings of the boards of ESMA and EIOPA, supporting their activities through expert participation in the permanent committees and groups set up for them. In addition, the FSC participates as a non-voting member in meetings of the ESRB and cooperates with the EBA.

Key aspects of ESMA's work

According to the ESMA Strategy for the period 2023-2028, ESMA fulfils its mission by focusing on its three strategic priorities and guided by the two defined thematic drivers listed below, while taking into account market developments and emerging risks, as well as new powers and available resources both in ESMA and in the NCAs:

Strategic priorities:

- 1) Promoting efficient markets and financial stability;
- 2) Strengthening supervision of EU financial markets;
- 3) Improving retail investor protection;

Thematic drivers:

- 1) Sustainable finance;
- 2) Facilitating technological innovation and effective use of data

In implementing its strategy in 2024, ESMA, in partnership with the national competent authorities in the field of investment activity, including the FSC, launched a survey targeting investors. The survey invited them to share their experiences with social media and financial influencers, as well as the extent to which these influence their investment decisions, the ways they obtain information about potential investment opportunities, and their use of internet-based applications for investing in financial instruments.

Also in the area of retail investor protection, ESMA launched a survey among NCAs (including the FSC) regarding the fees and charges of funds (collective investment schemes, UCITS, and AIFs) that are applied in their products and borne directly or indirectly by investors. Justifications for the level of these fees are required. Based on the results of the survey, a report will be prepared, as required by Directive (EU) 2024/927 of the European Parliament and of the Council amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, provision of depositary and custody services, and lending by alternative investment funds. The report must be submitted to the European Parliament, the European Commission, and the Council by 16 October 2025, and should include an assessment of the level of costs charged to retail investors, the reasons for

such costs and the differences between them, including those arising from the nature of the respective AIFs and UCITS, as well as an analysis of the relevance and effectiveness of the criteria set out in ESMA's convergence tools concerning cost supervision and whether they should be supplemented regarding the concept of undue costs.

Driven by one of its thematic drivers – namely sustainable finance – and in execution of a mandate received from the European Commission (EC), ESMA published its final report on the topic of greenwashing⁹ risks and supervision of sustainable finance policies. The report introduces a general clarification of the term greenwashing and provides an overview of the current supervisory response based on a survey of the activities of national competent authorities. It outlines a perspective for future improvements and convergence of supervisory practices through recommendations addressed to NCAs, the three ESAs, the EC, and market participants, aimed at mitigating risks.

Guided by its priority to contribute to the development of an efficient, liquid, and accessible single EU financial services market through the development of a single rulebook and the exercise of consistent supervision, ESMA published in the summer of 2024 its opinion titled “Building more effective and attractive capital markets in the EU.” The document contains 20 recommendations for strengthening the EU capital markets and responding to the needs of European citizens and businesses. The proposed actions encompass ambitious regulatory reforms and innovations in the financial sector. They are addressed not only to capital markets supervisory authorities but also to Member States, the European Commission, EU legislators, and the broader financial industry.

The recommendations focus on three main dimensions, with the following key proposals:

- **EU Citizens:** The main recommendations in this area include the development of long-term investment products and pension systems that are appropriately incentivized and contribute to the development of capital markets, as well as the creation of tax incentives for retail investors. Attention is also drawn to the need for additional efforts to improve financial education.
- **EU Companies:** Diverse and sustainable financing opportunities are critical for fostering growth and innovation in the EU, especially for small and medium-sized enterprises. The key recommendations in this area include: developing a favourable ecosystem for public companies and promoting the development of pan-European markets, while also taking steps to remove barriers to their integration – particularly with regard to market infrastructures.
- **EU Regulation and Supervision:** EU capital markets must be flexible in order to respond to the dynamically evolving needs of consumers. Key recommendations include modernizing the EU regulatory framework so that it keeps pace with new financial instruments, and granting ESMA the possibility to temporarily suspend the application of specific provisions in EU law in order to prevent clearly identified disruptions or risks to EU financial markets and investors.

⁹Greenwashing is defined as a practice where sustainability-related statements, declarations, actions or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, financial product, or financial service. This practice may be misleading for consumers, investors, or other market participants.

At the same time, priority is given to harmonizing the supervisory practices of national competent authorities in the EU and strengthening ESMA's role in collecting large volumes of supervisory data, processing them, and performing risk analysis. In addition, ESMA recommends assessing further centralization of supervision at the EU level (e.g. for major pan-European market infrastructures and crypto-asset service providers).

The entry into force of Regulation (EU) 2023/2845 of the European Parliament and of the Council of 13 December 2023, amending Regulation (EU) No 909/2014 as regards settlement discipline, cross-border provision of services, cooperation between competent authorities, the provision of banking-type ancillary services, and requirements for third-country central securities depositories, and amending Regulation (EU) No 236/2012, known as CSDR Refit, has led to the need for a series of joint discussions between ESMA and members of the European System of Central Banks (ESCB). The purpose of the meetings is to prepare a joint report assessing the impact of a potential shortening of the settlement cycle period established in Art. 5(2) of CSDR Refit, currently designated as T+2, and the transition to a T+1 settlement cycle, taking into account the costs and benefits for financial market participants, the outlook for future market developments, and drafting a "roadmap" of the actions to be undertaken.

In its report, which is to be submitted to the European Parliament and the Council in 2025, ESMA highlights the following three key aspects of shortening the settlement cycle, which are considered indisputable:

- A change in market functioning, the impact of which will vary depending on the nature of market participants, categories of transactions, and types of financial instruments;
- When introducing the new T+1 settlement cycle, factors that contribute to risk reduction, preservation of margins, and lower costs related to overcoming inconsistencies with other legal systems will generate significant benefits for the EU in the area of savings and investment policy;
- Harmonization, standardization, and modernization, which must be undertaken, will require certain investments.

There is a need for swift action to build an efficient and competitive Union for savings and investment within the EU and to transition to a T+1 settlement cycle in order to avoid the prolonged and growing negative impact caused by the lack of alignment with systems established in most jurisdictions worldwide.

In this regard, ESMA, in cooperation with the NCAs, the Directorate-General for Financial Stability, Financial Services and Capital Markets Union, and the Directorate-General for Market Infrastructure and Payments of the ECB, agreed to build, as quickly as possible, a governance structure involving the EU financial sector to assume leadership and support the technical preparations for the transition to a T+1 settlement cycle.

ESMA's general supervisory priorities

According to the amendments to the ESMA Regulation, which became effective in 2020, the authority is obliged to prepare up to two Union-wide priorities within one year, which guide and coordinate the actions of national competent authorities. The priorities have been selected through ESMA's risk-based approach to supervisory convergence, which aims to foster

a common understanding between ESMA and NCAs of the most critical supervisory risks and issues that merit prioritisation through supervisory convergence activities. NCAs are obliged to take these priorities into account when drawing up their work programs and to notify ESMA. ESMA shall discuss the relevant activities of the competent authorities in the coming year and draw conclusions on the implementation of these priorities and possible follow-up, which may include guidelines, recommendations to the competent authorities and peer reviews in the relevant field.

In view of its new strategy for the 2023–2028 period, since 2023 the disclosure of ESG factors has been one of the Union's Strategic Supervisory Priorities (USSP). The disclosure of ESG factors has replaced the previous priority relating to the costs and performance of retail investment products. The aim is to promote the transparency and comprehensibility of ESG factor disclosures in key segments of the sustainable finance value chain, such as issuers, investment managers or investment firms, and thus ESMA and NCAs address the risk of greenwashing.

Regarding the second priority, it should be noted that in 2024, preparations began for the change of the second supervisory priority – namely, cyber risk and digital resilience – which will replace the priority concerning the quality of market data. This new priority will focus on strengthening ICT risk management in companies through close monitoring and the undertaking of necessary supervisory actions, as well as building new supervisory capacity and accumulating experience. The objective is to keep pace with market and technological developments and to closely monitor potential contagion effects from cyberattacks and business disruptions affecting markets and firms. The new priority will take effect in 2025, as DORA will also come into force at the same time.

ESMA Guidelines

During the reporting year ESMA continued to be strongly committed to its obligation to develop guidelines aimed at improving the protection of EU investors. The guidelines elaborate on basic standards of EU legislation in order to harmonize its application throughout the Member States.

In 2024, the FSC adopted decisions to comply/express intent to comply with 8 guidelines issued independently by ESMA, as follows:

Guidelines on funds' names using ESG- or sustainability-related terms (ESMA34-1592494965-657 BG)

The guidelines are applied pursuant to Article 14(1)(a) of Directive 2009/65/EC, Article 12(1)(a) of Directive 2011/61/EU, and Article 4(1) of Regulation (EU) 2019/1156, in particular with regard to the obligation to act honestly and fairly in conducting business and the requirement that all information included in marketing communications must be accurate, clear, and not misleading.

The addressees of the guidelines are UCITS management companies, including all UCITS that have not designated a UCITS management company, managers of alternative

investment funds (AIFs), including internally managed AIFs, EuVECA, EuSEF, and ELTIF managers, as well as managers of MMFs and the competent supervisory authorities.

The objective of the guidelines is to clarify the circumstances under which fund names using ESG- or sustainability-related terms are considered unfair, unclear, or misleading.

Guidelines on the transfer of data between trade repositories under the European Market Infrastructure Regulation and the SFTR Regulation (ESMA74-362-2351)

The addressees of the Guidelines are financial and non-financial counterparties to derivatives as defined in Article 2(8) and (9) of the European Market Infrastructure Regulation (EMIR), trade repositories (TRs) as defined in Article 2(2) of EMIR, and competent authorities.

The objectives of the Guidelines are to achieve greater harmonization and standardization of reporting under EMIR, which will improve the quality of data necessary for the effective monitoring of systemic risk. Furthermore, improved harmonization and standardization of reporting will help reduce costs across the entire reporting chain: the counterparties submitting the reports, the trade repositories that implement procedures to verify the accuracy and completeness of the data, and the authorities referred to in Article 81(3) of EMIR who use the data for supervisory and regulatory purposes.

Guidelines on the types and content of the provisions of cooperation arrangements (Article 79 of the IFR), issued by the European Securities and Markets Authority (ESMA91-372-1791)

The addressees of these Guidelines are the competent authorities (i.e. the resolution authorities designated pursuant to Article 3 of the IFR), which should comply with them by incorporating them into their national legal and/or supervisory practices, where appropriate.

The objective of these Guidelines is to establish consistent, efficient and effective supervisory practices within the European System of Financial Supervision and to ensure the common, uniform and consistent application of Article 79(3) and (4) of the IFR.

Guidelines on the written arrangements and procedures for the functioning of resolution colleges (ESMA91-372-1958), issued by the European Securities and Markets Authority

These Guidelines are addressed to the resolution authorities as defined in Article 2(3) of Regulation (EU) 2021/23 establishing a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132.

The objective of these Guidelines is to establish consistent, efficient and effective supervisory practices within the European System of Financial Supervision (ESFS) and to ensure the common, uniform and consistent application of Article 4 of the CCPRRR and of the Delegated Regulation on Resolution Colleges. In particular, they aim to clarify the key elements referred to in Article 4 of the CCPRRR and in the Delegated Regulation on Resolution Colleges.

Guidelines on the summary of resolution plans (ESMA91-372-2345 BG)

These Guidelines apply in relation to Article 12(8) of the CCPRRR in connection with the information referred to in Article 12(7)(a) of the CCPRRR, which must be disclosed to the CCP, and in connection with Commission Delegated Regulation (EU) 2023/1193.

The Guidelines are addressed to resolution authorities of CCPs as defined in Article 2(3) of Regulation (EU) 2021/23.

The purpose of these Guidelines is to provide clarity on the key elements of the resolution plan that should be included in the summary referred to in Article 12(7)(a) of the CCPRRR and disclosed to the CCP in accordance with Article 12(8) of the CCPRRR. ESMA has developed a template for this summary, attached as Annex A to the Guidelines, which resolution authorities are expected to use when preparing the summary of resolution plans under Article 12(7)(a) of the CCPRRR.

Guidelines on the assessment of resolvability (ESMA91-372-2346 BG)

These Guidelines apply in relation to Article 15 of Regulation (EU) 2021/23 on the recovery and resolution of central counterparties (CCPRRR).

They are addressed to resolution authorities for the purposes of Article 15 of the CCPRRR.

The Guidelines establish a common set of aspects that resolution authorities should consider when applying the 26 questions set out in Section B of the Annex to the CCPRRR in the course of carrying out resolvability assessments.

The aim of these Guidelines is to support the convergence of resolution practices with regard to the application of Section B, in accordance with Article 16(1) of Regulation (EU) No 1095/2010.

Guidelines on stress test scenarios under Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds (MMF Regulation), ESMA50-43599798-9011

These Guidelines are addressed to competent authorities, money market funds (MMFs), and managers of money market funds as defined in the MMF Regulation.

The purpose of these Guidelines is to ensure a common, uniform, and consistent application of the provisions laid down in Article 28 of the MMF Regulation, in particular as referred to in Article 28(7), by setting out common reference parameters for the scenarios to be included in the stress tests.

Guidelines on reporting under the European Market Infrastructure Regulation (EMIR), , ESMA74-362-2281 (EMIR)

These Guidelines are addressed to financial and non-financial counterparties to derivatives as defined in Article 2(8) and (9) of EMIR, to trade repositories (TRs) as defined in Article 2(2) of EMIR, and to competent authorities.

The purpose of these Guidelines is multi-fold in the context of harmonizing and standardizing EMIR reporting, which is key to ensuring the quality of the data necessary for

effective monitoring of systemic risk. Furthermore, improved harmonization and standardization of reporting help reduce costs across the entire reporting chain – from the counterparties that report the data, to the trade repositories that implement accuracy and completeness checks, and the authorities referred to in Article 81(3) of EMIR that use the data for supervisory and regulatory purposes.

Procedure for updating FSC forms to comply with guidelines

In 2024, the FSC took action to ensure full compliance with guidelines it had declared its intention to comply with due to the need to take additional measures. As a result, the FSC has updated the following 5 ESMA guideline forms, declaring full compliance:

- Guidelines on MiFID II product governance requirements (ESMA35-43-3448)
- Guidelines on certain aspects of the MiFID II remuneration requirements (ESMA35-43-3565)
- Guidelines on common procedures and methodologies on supervisory review and evaluation process of central counterparties under Article 21 of EMIR (ESMA70-151-3374);
- Guidelines on Article 25 of Directive 2011/61/EU (ESMA34-32-701)
- Guidelines on reporting under the European Market Infrastructure Regulation (EMIR), ESMA74-362-2281
- Guidelines on data transfer between trade repositories under EMIR and SFTR (ESMA74-362-2351)

EBA Guidelines

In 2024, the FSC reviewed a total of three sets of guidelines issued by the EBA, as a result of which the FSC declared compliance with the following:

Guidelines on information requirements in relation to transfers of funds and transfers of certain crypto-assets under Regulation (EU) 2023/1113 (Travel Rule Guidelines, EBA/GL/2024/11 BG)

The Guidelines are addressed to: (a) payment service providers (PSPs) as defined in Article 3, point (5) of Regulation (EU) 2023/1113 and intermediary payment service providers (IPSPs) as defined in Article 3, point (6) of Regulation (EU) 2023/1113; (b) crypto-asset service providers (CASPs) as defined in Article 3, point (15) of Regulation (EU) 2023/1113, and intermediary crypto-asset service providers (ICASPs) as defined in Article 3, point (16) of the same Regulation; (c) competent authorities responsible for the supervision of PSPs, IPSPs, CASPs and ICASPs with regard to compliance with their obligations under Regulation (EU) 2023/1113.

The purpose of the Guidelines is to specify the factors that PSPs, IPSPs, CASPs and ICASPs should consider when establishing procedures for detecting and managing transfers of funds and transfers of crypto-assets that lack the required information on the payer/originator and/or the payee/beneficiary, and to ensure that these procedures are effective. Furthermore, the Guidelines aim to clarify the measures that PSPs, IPSPs, CASPs and ICASPs should take

to manage the risk of money laundering or terrorist financing when the required information on the payer, originator, payee or beneficiary is missing or incomplete.

Guidelines amending Guidelines EBA/GL/2021/02 pursuant to Article 17 and Article 18(4) of Directive (EU) 2015/849 on customer due diligence and the factors that credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions, EBA/GL/2023/03/BG (“Guidelines on ML/TF risk factors”)

The addressees of the guidelines are the competent authorities as defined in Article 4(2) of Regulation (EU) No 1093/2010, who should make every effort to comply with the guidelines.

The guidelines reflect the EBA’s view on appropriate supervisory practices within the European System of Financial Supervision or how Union law should be applied in a particular area. The competent authorities as defined in Article 4(2) of Regulation (EU) No 1093/2010 to whom these guidelines apply should comply with them by incorporating them into their supervisory practices in an appropriate manner (e.g. by amending their legal framework or supervisory processes), including where the guidelines are primarily addressed to institutions.

Guidelines amending Guidelines EBA/GL/2021/02 pursuant to Article 17 and Article 18(4) of Directive (EU) 2015/849 on customer due diligence and the factors that credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions, EBA/GL/2024/01/BG (“Guidelines on ML/TF risk factors”)

The addressees of these guidelines are credit and financial institutions as defined in Article 3(1) and (2) of Directive (EU) 2015/849, as well as the competent supervisory authorities referred to in Article 4(2)(iii) of Regulation (EU) No 1093/2010.

The objective of the guidelines is to present and establish the EBA’s view on appropriate supervisory practices within the European System of Financial Supervision or on how Union law should be applied in a particular area. The competent authorities to whom these guidelines apply should comply with them by incorporating them into their supervisory practices in an appropriate manner (e.g. by amending their legal framework or supervisory processes), including where the guidelines are primarily addressed to institutions.

Joint Guidelines of the European Supervisory Authorities

In 2024, the Financial Supervision Commission adopted decisions to comply with the following joint guidelines of the supervisory authorities, as described below:

Joint Guidelines on the assessment of the suitability of the members of the management body and of shareholders, direct or indirect, with qualifying holdings in ART issuers and CASPs (EBA/GL/2024/09 BG; ESMA75-453128700-10 BG)

The Guidelines are based on Article 21(3) and Article 63(11) of Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-

assets and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (the Markets in Crypto-Assets Regulation)

The Guidelines are addressed to:

- 1 Competent authorities as defined in Article 3(1)(35)(a) of the MiCA Regulation;
- 2 issuers as defined in Article 3(1)(10) of the MiCA Regulation, licensed pursuant to Article 21 of the same Regulation;
- 3 applicant issuers as defined in Article 3(1)(11) of the MiCA Regulation, who have applied for a license under Article 18 of the same Regulation;
- 4 crypto-asset service providers (CASPs) as defined in Article 3(1)(15) of the MiCA Regulation, licensed under Article 63 thereof, or – pursuant to Article 68(1) of the MiCA Regulation – providing crypto-asset services as part of a license issued under Article 60(2), (4), (5), and (6) of the MiCA Regulation;
- 5 applicant CASPs who have applied for a license under Article 63 of the MiCA Regulation.

The Guidelines provide clarity on how the assessment of the suitability of the members of the management body of asset-referenced token (ART) issuers and of crypto-asset service providers should be conducted.

Guidelines on supervisory cooperation between the European Supervisory Authorities and competent authorities (JC/GL/2024/36 BG)

The Guidelines are issued pursuant to Article 32(7) of Regulation (EU) No 2022/2554 (DORA).

The Guidelines are addressed to the European Supervisory Authorities (ESAs) and the national competent authorities.

The purpose of these Guidelines is to ensure that the ESAs and national competent authorities share information on areas where cooperation and/or exchange of information is necessary in accordance with Article 32(7) of DORA, and that a coordinated approach is adopted by the ESAs and national competent authorities when exchanging information and cooperating for supervisory purposes. This aims to ensure efficiency and consistency, to avoid duplication, and to establish a common approach to procedural rules and timeframes applicable to cooperation and information exchange.

Joint Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) under Directive (EU) 2019/2034 (EBA/GL/2022/09 and ESMA35-42-1470)

These Guidelines are issued pursuant to Articles 36 and 45 of Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

The Guidelines are addressed to competent authorities as defined in Article 4(2)(viii) of Regulation (EU) No 1093/2010, which are required to comply with them by incorporating them into their supervisory practices in an appropriate manner, i.e. through changes to their legal frameworks or supervisory processes.

The purpose of these Guidelines is to establish the common procedures and methodologies for the functioning of the supervisory review and evaluation process (SREP), as referred to in Articles 36 and 45 of Directive (EU) 2019/2034, and the processes and actions to be undertaken in connection with Articles 39, 40, 41, and 42 of that Directive.

Peer reviews

In 2023, ESMA adopted the peer review work plan for the period 2024–2025. In addition to the peer reviews identified in its biennial work plan, ESMA may also decide to carry out a fast-track peer review in cases of urgency or unforeseen events where such a review is deemed an appropriate tool. The fast-track peer review serves as a flexible alternative to standard peer reviews. The peer review plan is part of ESMA's work programme for 2024, which can be found at the following link: <https://www.esma.europa.eu/sites/default/files/2023-09/ESMA22-50751485-1368 - 2024 Annual Work Programme.pdf>, as well as from the adopted Multiannual Strategy 2023-2028, which is available at the following web address: https://www.esma.europa.eu/sites/default/files/library/esma_strategy_2023-2028.pdf.

Peer review on the requirements for simple, transparent and standardized securitisation,

The peer review was initiated by a decision of ESMA, while also fulfilling a requirement laid down in the Securitisation Regulation (Regulation (EU) 2017/2402), and was conducted in accordance with a methodology specifically developed for this purpose.

The review covers the supervision carried out by NCAs in relation to the requirements for simple, transparent and standardized (STS) securitisation, focusing on a subset of the STS criteria selected using a risk-based approach. It takes into account the comparability between asset-backed commercial paper securitisations and non-asset-backed commercial paper securitisations, as well as potential differences in supervisory practices across NCAs.

To date, the FSC has not issued licences under the Securitisation Regulation (Regulation (EU) 2017/2402) and is therefore not among the authorities selected for the review.

Key aspects of EIOPA's work

In 2024, EIOPA's strategic focus continued to centre on supervisory convergence, policy, sustainable finance, and digital transformation. The European Authority's aim was to contribute to building a safe and sustainable Europe for its citizens.

During the period, EIOPA concentrated efforts on a wide range of legislative initiatives, including DORA, the Solvency II review, IRRD, ESAP, the Artificial Intelligence Act, cybersecurity and information security, and the Retail Investment Strategy. Preparatory work was carried out on all initiatives, and some entered into force – notably those related to the Solvency II review, IRRD, cybersecurity and information security, and artificial intelligence.

Among the key areas of activity in 2024 was the integration of sustainable finance considerations across all areas of work. During the period, EIOPA aimed to ensure that the pension sector can continue to protect society over the long term, focusing on several core issues, including sustainability risk management, promoting sustainable behaviour, and sharing expertise and data. Therefore, the European supervisory authority concentrated efforts on integrating ESG risks into the prudential framework and analysing such risks. Furthermore, it placed emphasis on promoting sustainability reporting and disclosures, as well as on ensuring access to relevant data.

Another key activity in 2024 was supporting consumers, the market, and the supervisory community through digital transformation. This priority was pursued across three main dimensions. The first was ensuring that innovation aligns with the best interests of citizens, while taking into account digital ethics and financial inclusion. The second dimension focused on building resilience and robustness among all insurance market participants. In this context, the need to update risk management frameworks was acknowledged, particularly in relation to the opacity of certain artificial intelligence algorithms and the challenges they pose. Special emphasis was placed on the supervision of operational resilience, given the increasing number of cyberattacks, which require more robust and flexible IT capabilities. EIOPA continued to support national competent authorities, including with regard to preparing for the supervision of the digital transformation of entities and the implementation of DORA.

Another important goal pursued by EIOPA in 2024 was enhancing supervisory capabilities – both within the Authority and across national competent authorities. The European supervisory authority and national regulators continued to work together to deliver flexible and effective supervision, with a particular focus on improving the analytical framework, internal processes, and the public provision of more data.

Improving the quality and efficiency of prudential supervision was also among the objectives set by EIOPA for 2024. To strengthen supervisory convergence – both in practices and outcomes – EIOPA continued to enhance all available tools, focusing on establishing common benchmarks for supervisory practices and revising supervisory convergence materials in light of the Solvency II review and emerging risks related to sustainability and cyber threats. In 2024, thematic reviews remained a significant component of EIOPA's work. These reviews aimed to assess market practices and to gather quantitative and qualitative data on consumer outcomes and the factors driving them. Platforms for cross-border information exchange continued to serve as tools for cooperation and coordination of supervisory responses in addressing potential business failures. Given the ongoing growth of cross-border activity, the need for harmonization of insurance guarantee schemes has also been recognized, and work progressed in that direction. Over the past year, EIOPA also played an active role within the International Association of Insurance Supervisors (IAIS), which establishes international standards.

In 2024, EIOPA's strategic areas of focus clearly remained sustainable finance, digital transformation, supervision, policy, financial stability risks, and governance. The Authority worked closely with national supervisory authorities, as well as with European and international institutions, to achieve strong outcomes in the areas of financial markets, stability, and consumer protection.

EIOPA's general supervisory priorities

From 1 January 2020, specific amendments to the European Supervisory Authorities Regulations were made and they approved an obligation for EIOPA to define, at least every three years, up to two priorities of EU-wide relevance that reflect future developments and trends. National competent authorities shall take these priorities into account when drawing up their work programmes.

The two Union-wide priorities in 2024 set by EIOPA are:

1. The financial stability of insurance undertakings;
2. Consumer protection in an uncertain environment.

As usual, discussions were held with a view to revising these priorities to reflect the latest developments and trends, with a primary focus placed on the impact of digital transformation on products, as well as on cyber resilience and climate change-related issues.

In line with the Union's priorities, in 2024 EIOPA emphasized work in the following areas:

1. Continuous monitoring of the impact of the macroeconomic environment;
2. Risk transfer, including the capacity for and adequacy of such transfer;
3. Price-value ratio, including in light of inflation and current macroeconomic trends.

Considering the macroeconomic developments during 2024 – where concerns about a slowdown or recession persisted but were perceived as less severe – it is expected that after 2024 the macroeconomic environment will no longer need to be a focal point in terms of EU-wide priorities. The remaining two topics remained key issues throughout the year.

Procedure for updating FSC forms to comply with guidelines

In 2024, the FSC took action to ensure full compliance with guidelines it had declared its intention to comply with due to the need to take additional measures. As a result, the FSC has updated the following EIOPA Guidance Form: Guidelines on PEPP supervisory reporting (EIOPA-21/260 EN).

Peer reviews

Pursuant to Article 30 of the EIOPA Regulation, the Authority draws up a two-year work plan for peer reviews that reflects EIOPA's priorities according to their long-term work programme. The plan can be found at the following link: https://www.eiopa.europa.eu/system/files/2022-07/eiopa-bos-22-345_peer_review_work_plan_2023-2024.pdf

In 2024, the FSC continued its activities on several peer inspections of EIOPA, such as:

Peer review on supervisory practices related to certain aspects of the prudent investor rule in insurance.

The purpose of the review is to analyse the supervision of certain aspects of the prudent investor principle in insurance, given that it is often compliance with the requirements arising from this principle that national competent authorities identify as challenging.

In addition, monitoring investment strategies used in a risk-based approach, where capital requirements are closely linked to the type of investment, is key, including helping to identify trends in investment strategies.

Given the broad scope of the prudent investor principle, the review focuses on aspects of investments in non-traditional or more complex assets, including derivatives.

EIOPA's report on this peer review has been published on 2 May 2024.

The peer review report can be found at the following link:

https://www.eiopa.europa.eu/publications/peer-review-report-supervision-prudent-person-principle-under-solvency-ii_en

Peer review of product oversight and governance requirements

In previous years, this peer review began by going through various phases - a self-assessment during which the FSC completed a questionnaire on the topic, participated in conference calls, and then answered additional questions during the course of the review.

The Insurance Distribution Directive (IDD) product oversight and governance requirements came into effect on 1 October 2018 and aim to ensure that customer interests are paramount in product design, throughout the product lifecycle, including distribution. A key task is to ensure that product risks are sufficiently addressed and mitigated by developing adequate processes to avoid and identify such product risks.

The peer review report was published in 2023 and is available at the following link:

https://www.eiopa.europa.eu/system/files/2023-07/Peer%20Review%20on%20Product%20Oversight%20and%20Governance%20%28POG%29_1.pdf

In 2024, the FSC continued to provide EIOPA with additional information on monitoring the implementation of measures related to this review.

Follow up of the implementation of recommendations from completed peer reviews:

Peer review on outsourcing activities

Under the Solvency II Directive, undertakings can outsource not only operational tasks, but also, for example, a key function or part of such a function. Meanwhile, Article 49(2) of the Directive defines when the outsourcing of critical or important operational functions or activities is not permitted.

The goal of this peer review is to assess the implementation of the relevant provisions related to the outsourcing of activities, as well as to exchange experience and information on supervisory activity in order to identify best practices in the EU. The peer review assesses the approaches of national competent authorities to the outsourcing and supervision of outsourced functions and activities.

As a result of EIOPA providing answers to questions raised, and following conference calls, an EIOPA report on the Peer review on outsourcing was published in 2022 and a follow-up exercise requesting further information on the topic took place in 2023, preceding the implementation follow-up.

In 2024, follow-up on the implementation of the peer review recommendations also began, with input from the FSC and participation in meetings, with the goal of completing the review committee report in the spring of 2025.

Peer review on EIOPA's Decision on the collaboration of insurance supervisory authorities

This peer review, published in December 2020, resulted in 60 recommended actions for 26 national competent authorities in the following areas: effective implementation of the Decision, authorization, notification, supervision and data storage. In addition to monitoring recommended actions to each regulator, the topic of best practices is also addressed.

Data collection on performance tracking started at the end of 2023 and will continue in 2024.

A performance monitoring report on this peer review was published on 19 June 2024: https://www.eiopa.europa.eu/document/download/fdcf0c3e-290a-4541-b4e3-8031e7c7ac00_en?filename=EIOPA-BoS-24-257%20-%20Follow%20up%20Report%20on%20EIOPA%27s%20Peer%20Review%20on%20the%20collaboration%20of%20supervisory%20authorities.pdf

Key aspects of ESRB's work

In 2024, financial stability risks remained elevated amid high global policy uncertainty and ongoing geopolitical tensions. These might imply significant trade restrictions that could disrupt global trade flows, lead to elevated volatility in financial markets, and increase commodity prices. In this context, the ESRB acknowledged the potential for a disorderly disruption in financial market and called for close monitoring of certain assets on the US stock markets and cryptocurrencies.

A key focus in the work of the ESRB's bodies and structures in 2024 continues to be devoted to the assessment of risks to financial stability in the EU, with regular input from the ECB monitoring and evaluation work, members' views (in particular through the bottom-up survey), market information, the ESRB Risk Dashboard, and the ESRB Risk Assessment and Policy Priorities.

In 2024, the ESRB contributed to the development of adverse stress tests scenarios for EIOPA's insurance sector and ESMA's money market funds, as well as the adverse scenario for the EU-wide banking stress test conducted by the European Banking Authority.

The ESRB assesses vulnerabilities in the residential real estate sector regularly because of their importance for financial and macroeconomic stability. In this area, the ESRB published a follow-up report in January 2024 on vulnerabilities in the sector across EEA countries. The assessment focused on developments in financial stability risks related to residential real estate markets and the macroprudential policy responses adopted since the last assessment in late 2021.

As part of its macroprudential strategy to advance system-wide cyber resilience, the ESRB published a report during the year focusing on three groups of operational policy tools: tools for gathering, sharing, and managing information; coordination tools; and emergency and backup systems. This report built on the ESRB's extensive work on how to mitigate the risks of a systemic cyber incident.

The ESRB published the EU Non-Bank Financial Intermediation Risk Monitor 2024 (NBFi Monitor), which highlights key cyclical and structural risks associated with non-bank financial intermediation, particularly investment funds and other financial institutions in 2023. The NBFi Monitor uses both entity and activity-based monitoring to provide a holistic

assessment of financial stability risks. At the current juncture, structural vulnerabilities in NBFIs could amplify cyclical risks to the EU financial system stability owing to the impact of higher interest rates.

A report examining how IFRS accounting standards can reflect climate-related risks from a financial stability perspective was published by the ESRB in the first half of the year. The report focuses on financial information and does not discuss recently issued sustainability standards, such as the European Sustainability Reporting Standards or those issued by the International Sustainability Standards Board.

In 2024, work continued on the macroprudential stance, with a report outlining improvements in how the macroprudential stance is assessed. The assessment is a conceptual framework for comparing systemic risks with the policy measures taken to address them. This enables the ESRB to see whether the financial system is resilient enough and whether a country's macroprudential policy stance is neutral, loose, or tight relative to the risks it aims to address.

Finally, the ESRB published its report “Building on a Decade of Success” which provides strategic advice on the future of the ESRB and constitutes its contribution to the second review of the ESRB Regulation. Work also continued on the prudential treatment of sustainability-related risks, as well as on transparency regarding initial margin and responsiveness in centrally cleared markets.

7.2. International activity and cooperation, projects and initiatives

The FSC's cooperation with international organizations and financial institutions is a significant aspect of the regulator's activity which becomes even more important in the context of globalized financial markets. The Commission is member in the three international organizations which issue standards in the sector of securities, insurance and pension insurance, namely the International Organization of Securities Commissions – IOSCO, the International Association of Insurance Supervisors – IAIS and the International Organization of Pension Supervisors – IOPS.

Participation in IOSCO thematic review

IOSCO's thematic reviews are a frequent tool for identifying current or potential future challenges related to the financial sector, where the organisation collects thematic information from NCAs on a voluntary basis and, following an analysis, proposes steps or guidelines to address the issues identified. In 2024, the FSC continued its participation in IOSCO's thematic review on “Technological Challenges to Effective Market Surveillance”, which involved a total of 35 jurisdictions. A report of the review was published in early 2025.

Exchange of information

With regard to FSC's activity in exchanging information with foreign regulatory and supervisory authorities during the past year, FSC continued to provide active assistance. More than 50 requests for assistance received from foreign supervisors have been granted in

accordance with the MoUs of IOSCO, IAIS, ESMA, etc. For its part, the FSC has sent over 20 requests for assistance to its foreign partners.

With the entry into force of the General Data Protection Regulation (GDPR), stricter requirements have been introduced for the collection and processing of personal data, including with regard to their transfer to third countries. In order to ensure the continued lawful exchange of information with third countries by aligning the IOSCO Memorandum with the GDPR, a draft administrative arrangement was prepared and approved by both the European Data Protection Authority and the Bulgarian Commission for the Protection of Personal Data. After the FSC signed the multilateral administrative arrangement on data transfer in April 2019 on the grounds of Art. 46, para. 3 of the GDPR, in 2020 at its annual meeting IOSCO elected a representative of the FSC as one of the six members of the Assessment Group for the implementation of the administrative arrangement with a five-year term, the Bulgarian active participation continued in 2024.

Memorandums

In 2024, four cooperation and information-sharing agreements were signed within supervisory colleges for anti-money laundering and counter-terrorist financing, based on the Final Guidelines on cooperation and information exchange for the purposes of Directive (EU) 2015/849 between competent authorities supervising credit and financial institutions (JC 2019 81), issued by the ESAs. The first agreement governs the establishment of a supervisory college for GRAWE, with the Austrian Financial Market Authority (FMA) acting as the lead authority. The second agreement regulates the establishment of a supervisory college for the Unicredit Group, organised by the Bank of Italy (Banca d'Italia) in its capacity as the lead supervisory authority. The third agreement concerns the establishment of a supervisory college for UNIQA Insurance Group AG, again led by the Austrian Financial Market Authority as the lead supervisory authority. The fourth agreement, concluded on the basis of the aforementioned guidelines, establishes a supervisory college for Metlife Europe DAC, organised by the Central Bank of Ireland as the lead competent authority.

During the reporting year, all supervisory authorities in the field of capital markets signed an agreement on arrangements for the delegation of functions for crypto-asset supervision in accordance with the MiCA Regulation with ESMA. The project also includes a market abuse monitoring module. The FSC also decided to join the project and signed an agreement with ESMA.

At the beginning of 2022, the three European Supervisory Authorities ESMA, EIOPA and EBA started the implementation of a project to create system for the exchange of information relevant to fitness and propriety. For this purpose, an intersectoral coordination group of ESAs (ESAs FPS Coordination Group) was created to develop the information exchange system, as well as preparing guidelines on using the system.

The system is being developed pursuant to Article 31a of Regulation (EU) No 1093/2010, Regulation (EU) No 1094/2010 and Regulation (EU) No 1095/2010, which mandate EBA, EIOPA and ESMA to establish a system for the exchange of information relevant to the assessment of the fitness and propriety of holders of qualifying holdings, directors and key function holders of financial institutions by competent authorities.

The ESA Coordination Group is tasked with implementing the system, following a two-stage approach: developing a technological solution facilitating the exchange of information (consisting of a cross-sectoral shared database and a list of contact points from the competent authorities) and developing guidelines and operational rules for the exchange of evaluation-related information.

The FSC took advantage of the opportunity to get involved in the work of the coordination group and actively participated in the process of developing an information exchange system with its own representative. The project is expected to be finalized in the first half of 2025 with the launch of the exchange platform under development.

Technical support projects with the European Commission

In 2024, the implementation of the following projects continued, for which the FSC was approved as a beneficiary under the Technical Support Instrument of the European Commission's Directorate-General for Structural Reform Support.

“ESG risk management framework for the financial sector”

This multinational project aims to strengthen the capacity of national competent authorities to monitor, mitigate, and address ESG risks in the financial sector, as well as to increase consumer and investor awareness of the impact of individual financial decisions on sustainability.

During the year, one of its main modules was completed – namely, the "Regulatory Mapping" of all requirements stemming from the highly complex EU ESG regulatory framework, which analyses and systematises their impact on the FSC's supervisory powers.

For the second module – aimed at improving access to and use of the data and information necessary for effective supervision – a consolidated list of data requirements was developed by the university consortium implementing the project. This list identifies the data considered essential to assess ESG-related risks across different financial sectors. The list was compiled based on a review of more than 80 documents, covering 41 pieces of EU legislation and 40 ESA guidelines, and identifies 72 indicators for the insurance sector and 382 for the capital markets sector, providing a structured basis for assessing ESG risks and compliance with the existing EU framework. The next phase of the project will assist the FSC in leveraging these data indicators to improve its ESG risk and compliance assessments.

The module for developing methodologies and a supporting analytical tool – designed to enable the FSC to extract, analyse, and process relevant reports and financial product information, as well as to detect potential greenwashing practices by supervised financial institutions – was launched. In 2025, the IT tool is expected to be finalised, training for responsible FSC staff will be held on its use, and tests will be conducted using the FSC's available data.

“European Supervisory Digital Financial Academy” (EU-SDFA)

The project aims to support financial supervisors in addressing the risks and opportunities offered by innovative technologies and digitalisation in the financial sector. The three European Supervisory Authorities (ESMA, EIOPA and EBA) and the Florence School of Banking and Finance of the European University Institute will launch the Digital Academy in October 2022 and the project will run until October 2025.

The Digital Academy provides participants with the opportunity to combine basic knowledge with more advanced, sector-specific subjects, as well as to support the policy-making process of the EC and the work of the European Supervisory Authorities, following a learning approach that will combine on-site and remote training. The list of topics will be updated annually to reflect the changing landscape of the digital finance sector. To date, the topics covered have included the ongoing digitalization of the financial sector, such as cybersecurity, SupTech, Big Data, AML, blockchain, regulatory and supervisory challenges related to digital finance, supervisory practices, open finance, and sandbox exercises. The training sessions also encompass the new European regulatory framework – DLT, MiCA, DORA, and the Artificial Intelligence Act (AI Act). To support these efforts, the European Commission has launched a dedicated website for the academy, where training programs, completed courses, and additional information can be found: <https://eusdfa.eu.eu>.

“Proof-of-Concept for detecting potential cases of market abuse using artificial intelligence (AI) models”

In the autumn of 2024, implementation began on the project to develop a prototype for AI analytical models within the environment of ESMA or its designated contractor. The AI models will identify patterns indicating possible instances of market abuse, with a focus on six specific scenarios divided into three categories of datasets. The datasets cover scenarios related to transaction data, order data and those related to public data.

FOCUS TOPIC:

Bulgaria's accession process to the Organization for Economic Cooperation and Development (OECD)

In 2024, membership in the OECD remained one of the key foreign policy priorities of the Republic of Bulgaria. The FSC actively contributed to this effort and maintained ongoing information exchange with the Ministry of Foreign Affairs in its capacity as the national coordinator for Bulgaria's accession to the OECD.

Participants from the FSC attended all meetings of the committees and working groups in order to emphasize the country's commitment to the accession process. The FSC maintains ongoing communication with the OECD regarding the reviews for which the Bulgarian supervisory authority is among the competent institutions.

In 2024 the Financial Supervision Commission took part in all meetings of the permanent Inter-agency Coordination Mechanism (ICM), which was created with a view to improving coordination and speeding up actions on acceding to the OECD. The meetings discuss the participation of the Bulgarian institutions in the meetings of the committees, budgetary issues, the implementation of the Roadmap, etc. A meeting of the ICM was attended by representatives from the OECD, who gave advice to the Bulgarian institutions for the successful completion of the reviews by the committees.

The FSC is among the institutions responsible for the work in the Insurance and Private Pensions Committee (IPPC), the Financial Markets Committee (FMC) and the Corporate Governance Committee (CGC). The FSC is in charge, together with the MoF, of the review by the IPCC, and a partner institution, for the other two committees. The FSC also participates in the activities of the Regulatory Policy Committee, the Trade Committee, as well as the review for the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. The Investment Committee's review of Bulgaria remains of particular importance, with the FSC actively participating in related activities.

Throughout the year, accession reviews continued across the various OECD committees, along with the corresponding efforts to address the Organization's recommendations based on received reports and Chair's letters from the Secretariat. With regard to the FSC's work on Bulgaria's accession to the OECD, 2024 proved to be a highly productive year. Thanks to participation in numerous meetings and the preparation and submission of a wide range of positions and opinions, three out of the five reviews in which the FSC is directly involved were successfully concluded, with only the final opinions on committee accession pending.

1. Corporate Governance Committee (CGC)

The FSC actively participates in this Committee with regard to the implementation of the OECD Principles of Corporate Governance, for which we are the competent institution. On 3 April 2024, a meeting was held at the Ministry of Economy and Industry with representatives of the OECD Secretariat, during which a productive discussion took place on how to address the recommendations resulting from the review by this Committee. On 7 and 8 April 2024, FSC delegates took part in a CGC meeting in Paris. In October 2024, a second meeting of the Committee was held, during which the Bulgarian institutions delivered a presentation as part of the country review process carried out by the OECD on the implementation of the revised 2023 OECD Principles of Corporate Governance. The meeting was attended by representatives of the FSC and the MoF.

2. Insurance and Private Pensions Committee (IPPC)

Following the submission of numerous questionnaires by the Bulgarian institutions, an OECD fact-finding mission to Sofia within the framework of this Committee, as well as participation in meetings in Paris with presentations by an official Bulgarian delegation, a letter was received from the Secretariat on 18 April 2024 stating that the review of the Bulgarian insurance sector had been completed with a positive assessment.

Regarding the pension review, a fact-finding mission took place in Sofia on 6–7 February 2024 to examine the capital-funded pension system in Bulgaria. Bulgarian institutions continued to provide additional information to the OECD on this topic. During the summer of 2024, a meeting was held in Paris at which a presentation was delivered on the pension sector, following receipt of a report prepared by the Secretariat. On 2 August 2024, the OECD Secretariat sent a letter with positive findings on the pension review, which was also declared successfully completed.

An official opinion on Bulgaria's accession to the work of the Committee is pending.

During the review of the fully-funded pension insurance, Bulgaria received a high rating for its ability to implement OECD legal instruments, as well as for the strong partnership

between the co-chairs – the Ministry of Finance and the FSC – and for the efforts of the Ministry of Labour and Social Policy, representatives of other institutions, social partners, and the business community. The strengths of the supplementary pension provision system have been acknowledged, including the multi-pillar pension model, the stable legal framework, and the competent risk-based supervision.

As areas for potential continued efforts to modernize the regulatory framework and supervisory practices, the OECD also identified several key aspects that could contribute to improving the pension system and be included in future legislative amendments, namely:

- introducing consumer choice among different investment strategies aligned with their life cycle and risk tolerance (the so-called “multi-fund model,” involving funds with different investment profiles);
- reviewing the rules on investments with the objective of achieving increasing returns.

These recommendations can be implemented through coordinated legislative changes supported by political decisions. In this regard, and taking into account the diverse and valuable experience of our partners from the supervisory authorities of EU Member States, as well as from national and international bodies and organizations, the FSC is committed to developing proposals for amendments to the legal framework, in line with the OECD recommendations and the Analysis of the Existing Pension System and Proposals for Its Improvement adopted by the Economic and Social Council on 13 December 2024, prepared at the request of the Chair of the 49th National Assembly. Since the Commission does not have legislative initiative, a draft Act amending and supplementing the Social Insurance Code and the documents required under Art. 28 of the Law on Normative Acts have been submitted to the Ministry of Finance.

In drafting the legislative proposal, the periodic reviews and analyses of the OECD on the pension systems of its member states were taken into account, as well as the experience of Central and Eastern European countries, where the pension sector has undergone significant reforms over the past decades in response to a changing economic environment, demographic challenges, and the need for financial sustainability. Despite shared objectives, pension systems across the region vary considerably in terms of structure, investment strategies, regulation, and the mechanisms for protecting insured individuals. Several key aspects define the effectiveness and stability of defined-contribution pension schemes:

- the introduction of a “multi-fund model” and its effect on helping to increase expected returns;
- reasonable levels of fees and charges during the accumulation phase of pension savings;
- requirements for improved governance and for covering the risks assumed.

In conclusion, supplementary pension provision plays a key role in building long-term stability and sustainability of public finances, as it complements the pay-as-you-go public social insurance system and objectively reflects what each individual has contributed, taking into account the amount of contributions, length of participation, and achieved investment returns. The high public significance of funded pension provision calls for responsibility and a strategic vision aimed at promoting development, transparency, and trust in the sector – this remains a core mission of the Financial Supervision Commission.

3. Committee on Financial Markets (CFM)

In 2024, Bulgarian institutions continued their active engagement with the CFM. The review of Bulgaria took place during the CFM meeting held from 22 to 24 May 2024. The Financial Supervision Commission (FSC) appointed representatives to participate in the meeting and assisted the Ministry of Finance (MoF) in preparing a presentation for the Bulgarian delegation. In 2024, a letter confirming the completion of the accession process with this Committee was received, and the FSC supported the MoF in drafting the country's official response. The review concluded with a positive assessment.

4. Investment Committee

In 2024, the FSC also remained actively involved in addressing the recommendations to Bulgaria resulting from the OECD Investment Committee's country review. Bilateral meetings were held between representatives of the Ministry of Finance and the FSC to discuss the recommendations falling within the FSC's competence. The FSC drafted proposed amendments to the IC and the SPICSCA in order to address the recommendations.

7.3. Cooperation with institutions in Bulgaria

The Financial Supervision Committee maintains and deepens its cooperation with state structures, branch associations of the FSC supervised entities and other interested persons in view of the prepared changes in the legislation and the practical problems that have arisen in its implementation.

The Financial Supervision Commission was actively cooperating with branch associations – the Bulgarian Association of Asset Management Companies, Bulgarian Association of Licensed Investment Firms, Association of Bulgarian Investment Relations Directors, Bulgarian Industrial Capital Association, Bulgarian Association of Supplementary Pension Security Companies, as well as numerous state bodies and institutions – the National Statistical Institute, National Revenue Agency, State Agency for National Security Bulgarian National Bank, Ministry of Finance, the Registry Agency, the Institute of Certified Public Accountants and the Commission of Public Oversight of Statutory Auditors and the judiciary authorities (Prosecutor's Office, Courts, Investigation Service), structures to the Ministry of Interior, etc.

Draft Instruction for interaction and exchange of information between the State Agency National Security and the Financial Supervision Commission

The draft instruction was developed between the SANS and the FSC, in order to comply with the requirements of the current legislation and in connection with the amendments and additions made to the Financial Supervision Commission Act and other sectoral legislation concerning the activities of the entities supervised by the FSC. With the adoption of the draft instruction, the timely and lawful performance of the legally assigned activities of the two institutions will be ensured with maximum efficiency, optimal use of available resources,

improvement of the effectiveness of their control activity and coverage of a wide range of information sources.

Insurance Supervision Division

In the course of work on the draft amendments to the Insurance Code, representatives of the Insurance Supervision Division contributed to addressing issues raised by the Ministry of Finance and took part in a meeting held on 29 January 2024 with the participation of the Minister of Finance and the representative organizations of insurers and insurance intermediaries.

On 7 March 2024, representatives of the Insurance Supervision Division attended a meeting with the State Road Safety Agency (SRSA), the Guarantee Fund, and the Association of Bulgarian Insurers to discuss SRSA's proposals to digitalize the bilateral accident report form, as well as to involve the Guarantee Fund in the commissioning and maintenance of the project.

On 25 March 2024, representatives of the Insurance Supervision Division, together with a representative of the Legal Directorate, participated in a meeting with representatives of the GF, the NBBMI and the CPDP to discuss a proposal for a project to implement digital checks at the shared borders between the Republic of Bulgaria and the Republic of Turkey for verifying the existence of valid motor third-party liability insurance for vehicles leaving the territory of the Republic of Bulgaria.

Staff from the Insurance Supervision Division were also involved in the working group “Non-Banking Financial Sector” under the Coordination Council for Bulgaria’s accession to the euro area. In 2024, the division reviewed and coordinated the current draft of the AIERB; prepared comments on feedback received from insurers regarding the draft AIERB; made comments on the draft Act on the Introduction of the Euro in the Republic of Bulgaria and on the summary of feedback received during the public consultation process; and participated in the implementation of measures required to align existing legislation with the Act on the Introduction of the Euro in the Republic of Bulgaria in compliance with the Action Plan with the Plan on the Introduction of the Euro in the Republic of Bulgaria, in line with performing the measures under the Plan for the Introduction of the Euro in the Republic of Bulgaria.

A memorandum was prepared in response to a letter from the National Statistical Institute (NSI) requesting assistance with updating the statements in the annual activity report of insurers for the reporting year 2024.

Draft responses were provided regarding an additional inquiry from the European Commission, received through the Permanent Representation of the Republic of Bulgaria to the EU in Brussels, concerning Bulgaria’s pledged repeal of paras. 1 and 2 of § 96 of the Transitional and Final Provisions of the Act Amending and Supplementing the Insurance Code (State Gazette, No. 101 of 2018) – dated 19 August 2024.

The Insurance Supervision Division prepared an opinion in response to a request from the Head of the “Traffic Police” Department – Sofia Metropolitan Directorate of Internal Affairs, Ministry of the Interior, concerning written guidance on specific questions related to the application and interpretation of a particular provision of the Insurance Code regarding mandatory motor third-party liability insurance.

An opinion was also prepared upon request from the Minister of Economy and Industry to contribute to the preparation of Bulgaria's national position on Mr. Mario Draghi's report "The Future of European Competitiveness."

The Insurance Supervision Division provided an opinion in response to a letter from the National Revenue Agency containing questions from an insurer regarding the location of risk for taxable insurance contracts.

In the course of coordinating the amendments to Ordinance No. 53 of 23 December 2016 on the requirements for reporting, asset and liability valuation, and the formation of technical provisions by insurers, reinsurers, and the Guarantee Fund, representatives of the Insurance Supervision Division participated in meetings and communicated with the Association of Bulgarian Insurers (ABI) regarding the insurance sector's expectations on public disclosure of market information.

Meetings and communication were also held with the Institute of Certified Public Accountants in Bulgaria (IDES) concerning the application of IFRS 17 Insurance Contracts, as well as in relation to amendments to the FSC Guidelines on certification under Art. 126(3) of the Insurance Code for the annual statements, reports, and annexes under Art. 126(1)(1) and (2) of the Insurance Code.

Social Insurance Supervision Division

In 2024, with a view to improving the regulatory framework and in the context of the OECD's recommendations, a series of meetings were held between experts from the Social Insurance Supervision Division and representatives of the Bulgarian Association of Supplementary Pension Security Companies (BASPSC). The following key topics were discussed:

- Introduction of a multi-fund model (establishment of sub-funds with different investment and risk profiles) in supplementary mandatory and voluntary pension insurance;
- Review of the existing regulations regarding the payout phase in supplementary mandatory pension insurance;
- Review and analysis of fees and charges collected by pension insurance companies;
- Analysis of the current guarantee mechanisms in both the accumulation and payout phases;
- Review of capital requirements and special reserves, among others;
- Proposals for developing the regulatory framework by replacing the minimum return requirement with a benchmark for return comparison when performing ex officio distribution to the supplementary mandatory pension funds.

In connection with initiated legislative changes directly or indirectly affecting the activities of pension insurance companies and the funds managed by them, within the framework of the procedures of coordination and public consultations, the Regulatory Regimes of Insurance Supervision Directorate has promptly reviewed and provided opinions, comments and/or proposals on:

- Draft Accessibility of Products and Services Act;

- Draft Regulation on the Implementing of the Measures Against Money Laundering Act;
- Draft Act on the Introduction of the Euro in the Republic of Bulgaria;
- Draft Act amending and supplementing the Statistics Act;
- Draft Act amending and supplementing the Independent Financial Audit Act;
- Draft Act amending and supplementing the Financial Collateral Agreements Act;
- Draft Act on Markets in Crypto-Assets
- Draft of Act amending and supplementing the Measures against the Financing of Terrorism Act;
- Draft Council of Ministers Decree Amending and Supplementing the Implementing Regulation of the Investment Promotion Act;
- Draft Rules of Procedure of the Interagency Council for the Screening of Foreign Direct Investments.

For the purpose of maintaining the good inter-institutional cooperation, as well as for the performance of timely and preventive supervisory functions, representatives of the Commission participated in a number of meetings and initiatives held with representatives of supervised entities and other bodies and organizations, including:

Conference “Future Challenges and Expectations in the Non-Banking Financial Sector”, organized by the Financial Supervision Commission (FSC). The event gathered participants from the investment, insurance, and pension supervision, along with a wide range of representatives from the non-banking financial sector. Participants engaged in discussions, panels, and presentations focused on the OECD Principles of Corporate Governance in Bulgaria and the EU regulations – the Digital Operational Resilience Act (DORA) and the Markets in Crypto-Assets Regulation (MiCA).

- Pension Forum, organized by the Bulgarian Actuarial Society, where key topics were discussed including demographic trends, mortality rates, the sustainability and development of the pension system, pension fund returns, and the provision of individual information to track pension entitlements.
- Economic and Social Council discussions regarding the report titled “Analysis of the Existing Pension System and Proposals for Its Improvement”, prepared upon the proposal of the Chair of the 49th National Assembly.
- National Scientific-Practical Conference on “Market and Non-Market Challenges in Insurance and Social Security – Theory, Practice, Problems and Solutions”, held as part of the “Alliance for Insurance and Social Affairs” established between D. A. Tsenov Academy of Economics – Svishtov, the Association of Bulgarian Insurers (ABI), the Bulgarian Association of Supplementary Pension Security Companies (BASPSC), the Guarantee Fund, the Association of Insurance Brokers in Bulgaria, and supported by the “Prof. Dr. Veleslav Gavriyski” Foundation.
- Power Summit 2024, panel “Investment and Social Security – Development of the Three-Pillar Pension Model”.

- conducting the 21st edition of the educational program for students “The non-banking financial sector in Bulgaria” with the partnership of the Ministry of Education and Science and the Atanas Burov Foundation;

During the reporting year, the participation of representatives from the Regulatory Regimes of Social Insurance Supervision Directorate in the permanent working groups of the Council on European Affairs continued, more specifically in Working Group 26 "Financial Services" with leading institution Ministry of Finance, Working Group 2 "Free Movement of People" and Working Group 13 "Social Policy and Employment" with the leading institution Ministry of Labor and Social Policy.

In the reporting year 2024, representatives from the RRSIS Directorate worked together with the Ministry of Finance within the framework of the Non-Bank Financial Sector working group at the Coordination Council for Preparation of the Republic of Bulgaria for Euro Area Membership. A draft AIERB was coordinated. Opinions were prepared and submitted in response to the comments, proposals, and positions received during the public consultation process from industry organizations, supervised entities, and other stakeholders. The progress, upcoming actions, and any issues related to the implementation of the National Plan for the Introduction of the Euro in the Republic of Bulgaria and its Action Plan were regularly discussed. The Action Plan accompanying the National Plan for the Introduction of the Euro in the Republic of Bulgaria was updated. Supervised entities and their industry organizations were periodically informed about the upcoming actions and measures they need to undertake in connection with the adopted LIEB and the updated Action Plan. Meetings were held and additional correspondence was exchanged to clarify arising questions.

A representative of the Regulatory Regimes of Social Insurance Supervision Directorate took part in the procedure for ex officio distribution of the persons who had not selected a fund for supplementary mandatory pension insurance that was carried out in accordance with Instruction No. 1/21.02.2006. The distribution is carried out four times a year by a commission created with the National Revenue Agency which included one authorized representative of each NRA, FSC and the BASPSC.

8. Institutional development of FSC

8.1. New Developments in the Management and Structure of the Financial Supervision Commission

In 2024, the organizational structure of the Financial Supervision Commission was revised as follows. The functions of the Insurance Supervision Directorate were divided into two separate departments. The newly established departments are: Supervisory Activities and Analysis, and Enforcement. With effect from 1 October 2024, a structural change has been made in the Investment Activity Supervision Division concerning the closing of two departments and the establishment of a new Supervision of Investment Service Providers and Trading Venues Department.

8.2. Human resources management

Financial Supervision Commission's structure and functions are defined by the FSCA, the Rules of Structure and Activity of the Financial Supervision Commission and its Administration (RSAFSCA), the special acts and regulations that govern the investment, insurance and social insurance activity. The approved number of employees working at FSC as at the end of 2024 was 265 (five members and 260 persons working in administration). According to the distribution of functions, the Commission's administration consisted of general and specialized administration and units and positions directly subordinate to the Chair:

The general administration assists the Chair of the Commission in exercising their powers as head of the administration, ensures the technical provisioning for the activities of the Commission and of the specialized administration, and performs activities related to administrative services for citizens and legal entities. At the end of 2024, the following administrative units comprised the general administration:

- Legal Directorate – 19 permanent posts;
- International Cooperation Directorate – 8 permanent posts;
- Revenue Collection Unit - 4 permanent posts;
- Records and Administrative Services Directorate – 9 permanent posts;
- Financial and Economic Activities Directorate – 18 permanent posts;
- Information Technologies Directorate – seven permanent posts;
- Public Relations and Protocol Directorate – 9 permanent posts;

According to the RSAFSCIA, the Legal and International Cooperation Directorates and the Revenue Collection Unit were part of the general administration but in the exercise of their functions they were directly subordinate to the Chair of the Commission.

The following units are also directly subordinated to the Chair of FSC:

- Chair's office - 2 permanent posts;
- Internal audit unit - 4 permanent posts;
- Inspectorate – 3 permanent posts.

In addition to these administrative units, the following positions are directly subordinated to the Chair:

- Secretary General;
- Information Security Officer;
- Finance Controller;
- Data Protection Officer;
- Network and Information Security Officer.

The functions of Financial Controller in 2024 are performed by a Chief Expert within the Revenue Collection Unit, while the functions of Data Protection Officer are performed by a Chief Inspector within the Inspectorate Unit. These functions are carried out in parallel with the employees' main duties.

An employee responsible for network and information security was appointed in June 2024 to the position of "Network Manager – Employee Responsible for Network and Information Security."

The specialized administration supports and ensures the exercise of the powers of the Commission and its bodies, and is comprised of the following directorates:

- Regulatory Regimes of Investment Activity Directorate – 24 permanent posts;
- Supervision of Investment Activity Directorate – 63 permanent posts;
- Regulatory Regimes of Insurance Supervision Directorate – 16 permanent posts;
- Insurance Supervision Directorate – 30 permanent posts;
- Regulatory Regimes of Social Insurance Supervision Directorate – 13 permanent posts;
- Social Insurance Supervision Directorate – 19 permanent posts;
- Analyses, Complaints and Resolution Directorate – 10 permanent posts.

In order to achieve the Commission's strategic goals, emphasis has been placed on organizational improvement and development of human capital by increasing management capacity, upgrading leadership skills and building and developing a sustainable organizational structure. Increasing motivation and commitment in the team, as well as digital competences, are among the other tools through which the FSC strives to achieve the priorities and sub-goals set out in the Development Strategy.

To successfully realize its functions and goals, the FSC, through the effective management of human resources, aims to provide capable, responsible, motivated employees with the necessary competence and potential. This is achieved with the consistent policy in the field of human resources management, aimed at ensuring and developing the expert potential of FSC employees, improving their professional qualifications, ensuring consistency in leadership and continuity, building and maintaining a working environment that enhances trust, motivation and satisfaction of employees, formation of internal institutional affiliation.

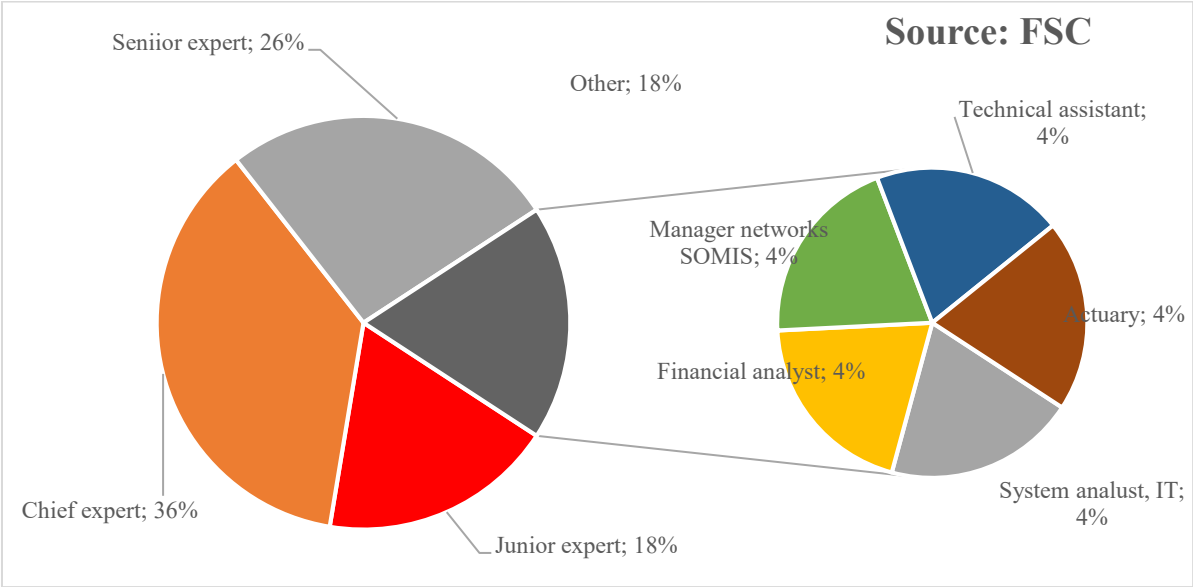
During the reporting period, there has been a more dynamic movement of staff, resulting in the number of full-time positions in the FSC at the end of the period being 225 and the staffing ratio amounting to 84.9% of the total.

The current Procedure for selection of candidates for work in the FSC guarantees transparency of the selection process and is based on the principle of competition based on the

professional and business qualities of the candidates. The procedure regulates the appointment of experts with the necessary qualification and experience in the non-banking financial sector, in strict compliance with the regulations in the field of labour relations. The circle of publicity for recruiting candidates who have a specialized interest in the area of supervision exercised by the regulator and possess the knowledge and competences sought by the FSC has been expanded. In this manner, through greater publicity and with the help of alternative selection options, the aim is to attract to key positions experts with high qualifications and experience.

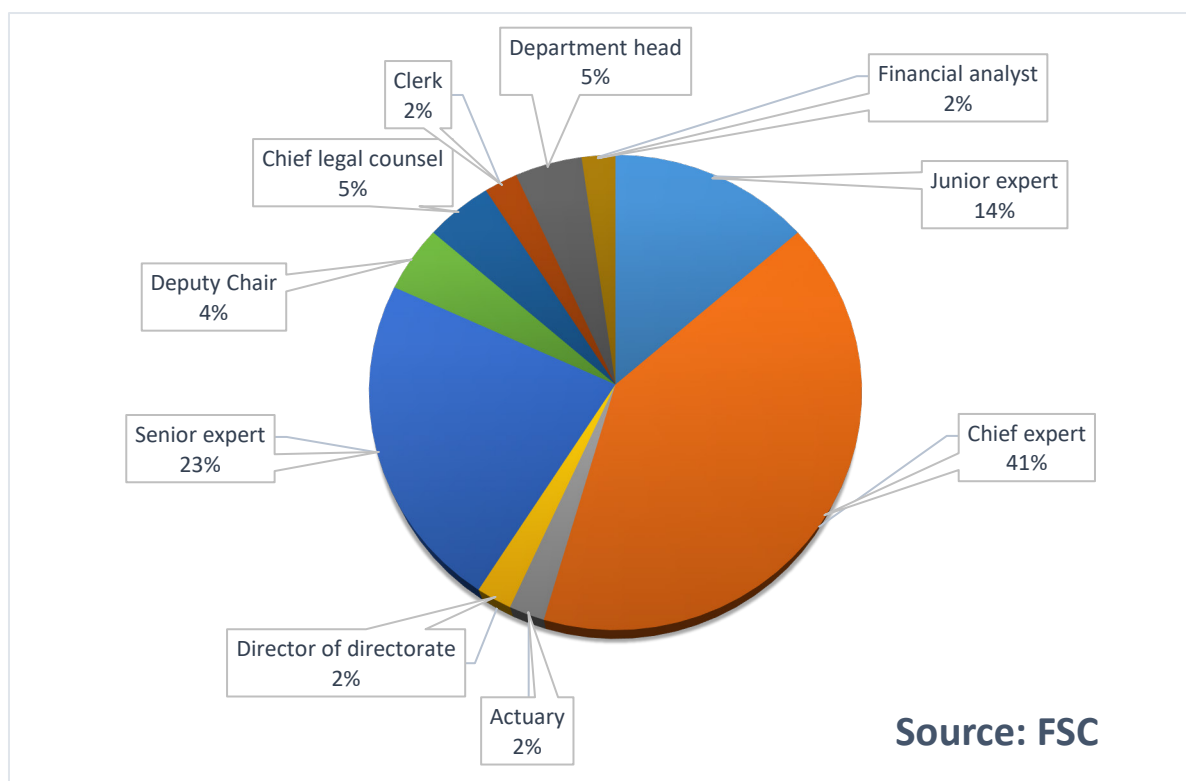
In 2024,a total of 28 new employees were appointed, via the Procedure for recruitment, selection and appointment of employees in the FSC. 90% of all the appointments are assigned to the three expert positions in the Commission's staff list - chief expert, senior expert and junior expert. The largest number of people who joined the administration of the FSC in the position of chief expert - 10 or 36% of the newly appointed, followed by the position of senior expert - 8 persons (26%), and 5 employees were appointed in the position of junior expert (18%). The position of Financial Analyst has been filled with 1 employee or 4%, a Network and Information Security Officer has also been hired.

Chart 17. Newly appointed employees (by posts) in 2024.



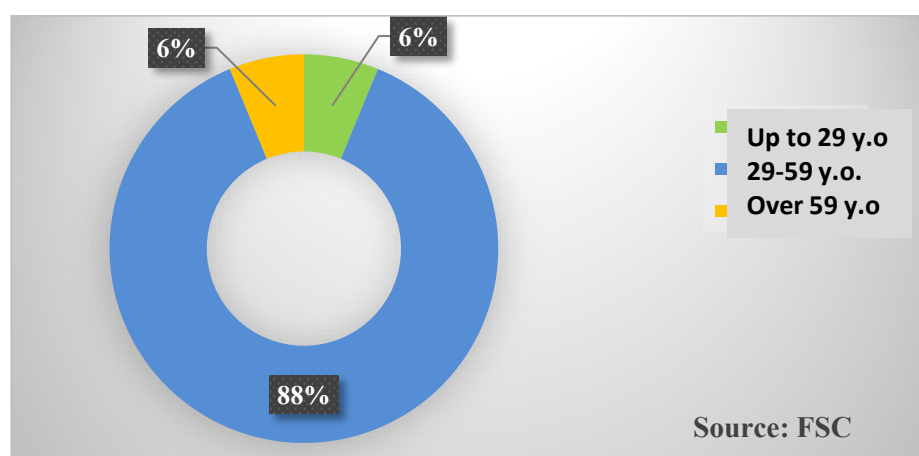
There are 44 employees who left the administration of the Commission in 2024, and in this category the largest share (78%) is distributed among the three expert positions - chief expert, senior expert and junior expert - 41% of those who held the position of chief expert, 23% - senior expert and 14% - junior expert. The remaining employees whose employment was terminated in 2024 are the actuary, general legal counsel, record-keeper, and management employees - the Department Head, Director of Directorate, and Deputy Chair

Chart 18. Terminated employment relationships (by posts) in 2024.



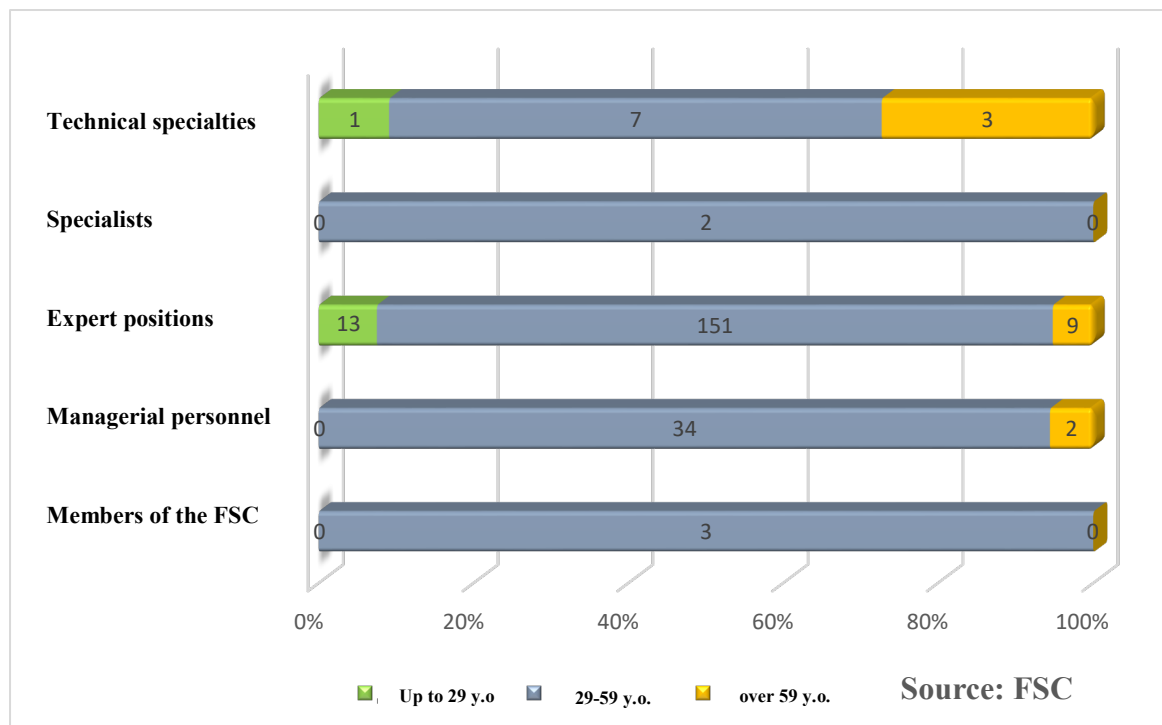
The age distribution among employees is considered in three separate groups - employees up to 29 years old inclusive, between 29 and 59 years old inclusive and those over 59 years old. Employees from the first group (up to the 29 y.o.) make up 6% of the employees of the FSC. The majority of employees fall into the age group between 29 and 59 years - 88% of all staff. 6% of the employees fall in the third category, which includes employees of the FSC administration over the age of 59.

Chart 19. Age distribution of employees as at the end of 2024



Together with the age category, one more criteria has been added - position category, with the separate categories of positions being members of the FSC, management positions, expert positions, technical positions and specialists. All members of the FSC fall into the age category 30-59 years. 94% of the remaining management staff of the FSC also fall within this age category, while 6% of employees in managerial positions are over the age of 59. For expert positions, the distribution is as follows: 8% of employees are aged up to and including 29 years; 87% fall within the 30–59 age group; and 5% are over the age of 59. Employees classified under the “specialist” personnel category are entirely within the 30–59 age group.

Chart 20. Distribution of appointed employees by age and position category as at the end of 2024



The educational and professional-qualification structure of the persons employed in the FSC meets the real needs necessary for the fulfilment of the goals and tasks set before the Commission. Employees with higher education dominate, representing 94% of those employed in 2024, including those with an educational and scientific degree "Doctor" - two people (1%), an educational-qualification degree "Master" - 184 employees (82%), and 25 employees (11%) have a bachelor's degree. The share of employees with secondary education (including secondary-special education) is 6%. Examined and filtered by field of higher education, employees with professional qualifications in the field of economics stand out - 51% of employed higher education graduates. A significant proportion of employees – 33% – hold degrees in the field of legal studies. Those with higher education in technical sciences account for 7%, while 3% of employees have completed higher education in the field of Administration and Management. 3% of those higher education graduates were trained in “Humanities”. The rest (3%) have higher education in other fields.

Chart 21. Distribution by education as at the end of 2024

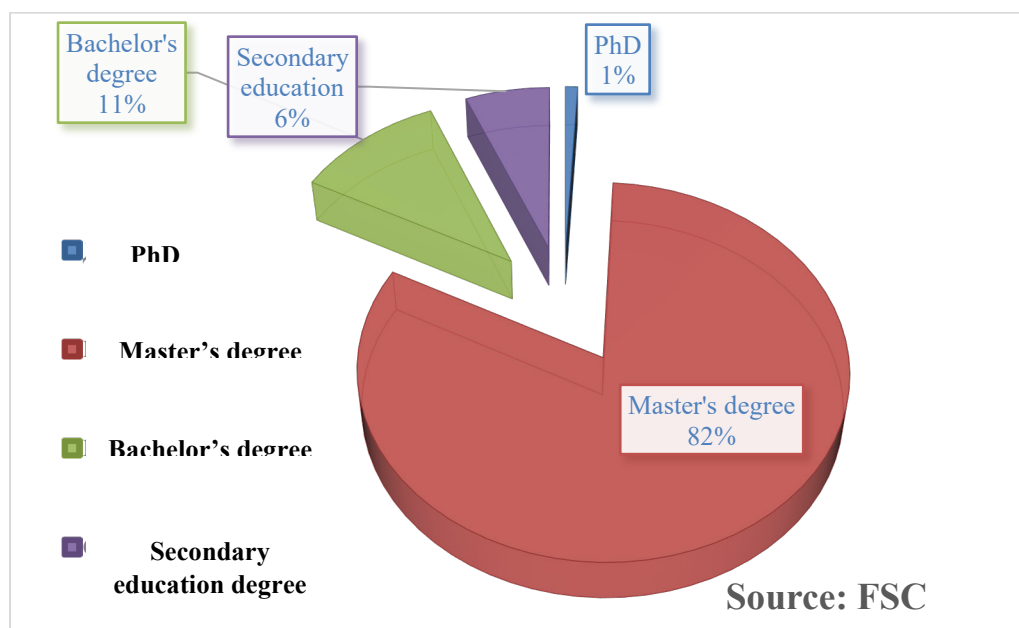
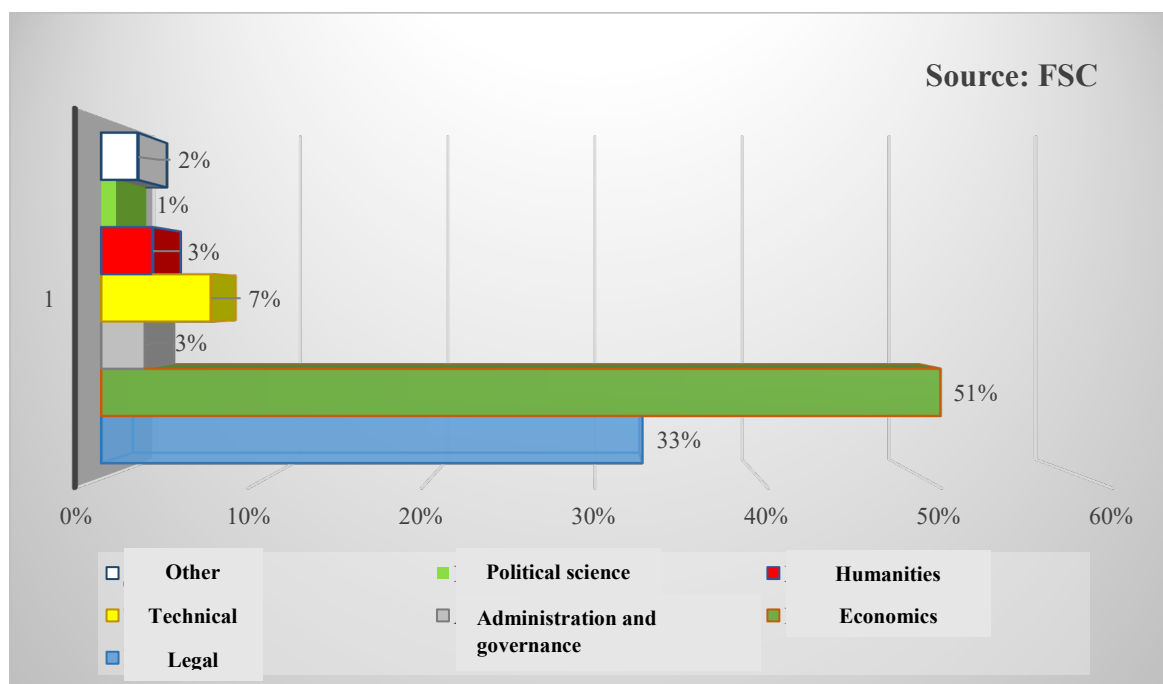


Chart 22. Distribution of employees by areas of higher education as at the end of 2024



The FSC's effective regulatory and supervisory activity, maintaining and raising the high level of professional knowledge and skills of employees, related to the realisation of the FSC's priorities,

and improving the employees' personal , motivation and engagement are ensured through their participation in specialized trainings current and important to the FSC.

The activities concerning training of human resources are tied to the real needs of the Commission in this area, and trainings are prepared, planned and carried out on this basis, leading to the improvement of the competences of the employees and are the basis of their professional development.

The training of the Commission employees is a systematic process of building and improving the knowledge, skills, attitudes and behaviours for the successful performance of work tasks, and through participation in various educational initiatives, the goal is to upgrade knowledge and skills in the learning process, creating an opportunity to increase the expert potential of knowledge to manage more complex and more responsible activities and tasks in accordance with the fulfilment of the high goals and requirements set for the Commission.

Key to the Commission is the strategic management of knowledge and the development of a culture of continuous learning and sharing of knowledge and experience within it. One of the practically proven effective approaches to preserve and transfer knowledge and share experience, between generations in the workplace, implemented by the Commission, is mentoring.

During the past year, the successful implementation of the mentoring method for new recruits to the FSC has continued, which has provided sustainable and lasting support to help new recruits settle into both the specialist work and the organisational culture of the Commission.

The use of mentoring as a tool for human resources development led to an increase in motivation, efficiency in the performance of daily work tasks and faster adaptation of newly appointed employees to the organization, and in particular to the work process in the relevant unit. The mentoring lasts for 6 months. The time and resources invested in supported staff create a sense of belonging to the Commission and ensure the continuity that is important for any organization to develop and maintain to ensure its long-term perspective. In the past year, 33 new hires have been mentored or are in the process of being mentored, with some starting in 2023.

In 2024, in order to maintain and enhance the necessary theoretical knowledge and support the acquisition of new skills and competencies, the FSC organized professional and personal development training for its staff in various formats – on-site, online, and hybrid. A large portion of the training sessions conducted throughout the year were implemented in accordance with the approved annual training plan. In parallel, a number of additional trainings, seminars, and other events were held outside the plan, based on emerging needs for staff participation in topical and priority areas.

To deliver these trainings, the FSC continued its long-standing partnerships with both Bulgarian and international training institutions. These included the Institute of Public Administration (IPA), the Bulgarian Actuarial Society (BAS), the School of Public Finance (SPF), the Institute of Internal Auditors in Bulgaria (IIAB), the State Agency for National Security (SANS), CleverSoft Bulgaria EOOD, as well as international institutions such as EIOPA, ESMA, EBA, the Joint Vienna Institute (JVI), among others. Commission employees also participated in trainings organized by national supervisory authorities of other European countries.

In order to maintain and increase the necessary theoretical training, as well as the acquisition of new knowledge and skills by employees, during the reporting period the following trainings were held for the professional and personal development of employees:

- A total of 169 trainings (training sessions) were organized and conducted by the IPA on 52 topics and 99 staff members were trained, with one staff member participating in more than one training topic. The largest share of the training sessions conducted in 2024 covered topics under the “Management and Personal Effectiveness” program – 24%, followed by the “Digital Competence” and “Law Enforcement” programs – 20% each, the “Regulatory Policy” and “Public Policy” programs – 8% each, the “Legislative Drafting and Law Enforcement” program – 7%, and 7% of the sessions were dedicated to foreign language training. The topics included in the other programmes occupy a smaller relative share of the courses conducted by the Institute of Public Administration;
- A total of 155 professional qualification training sessions were held by Bulgarian training institutions (the Bulgarian Actuarial Society, the Institute of Internal Auditors in Bulgaria, the School of Public Finance, the State Agency for National Security, and others), covering 29 topics. These were attended by 79 employees, with one employee participating in more than one training topic. The main focus areas of these courses included the legislative process, EU legislation, finance, analytical software, internal audit, digital identity, internal control, and updates to various regulatory acts relevant to the Commission’s activities.
- As for the training organized by international institutions – EIOPA, ESMA, the European Supervisory Digital Finance Academy (EU-SDFA), EBA, and JVI – a total of 96 sessions were held on 42 topics, with participation from 54 employees, again including multiple-topic participation by individual employees. Most of the trainings conducted by foreign organizations were remote;
- Most of the training sessions delivered by international organizations were held remotely. In 2024, the FSC continued its participation in the training modules of the European Supervisory Digital Finance Academy, a technical support project under DG REFORM of the European Commission, for which the FSC is a beneficiary. These modules are focused on developing knowledge in the field of financial sector digitalization to enhance the supervisory practices of

regulatory

authorities.

- In addition, in 2024, the FSC funded training and concluded contracts to support the professional development of two employees enrolled in international master's degree programs – “European Union Law” and “Policy Evaluation and Impact Assessment” – offered by Sofia University “St. Kliment Ohridski.” The former program is conducted jointly with the University of Lorraine, France.

In 2024, the FSC continued its participation in the Program for Student Internships in the State Administration and provided the opportunity to Bulgarian students studying in the country and abroad, to have full practical internships. Through the internship, students gain initial practical experience, professional skills and, last but not least, become familiar with the structure and specialised functions of the Commission.

During the past year, five interns had the opportunity to get close acquaintance with the nature of the work of the FSC, as well as with specific activities performed by the experts in the directorates where the students conducted their internship.

The participation of the Commission in the internship programme and the provision of a fruitful working atmosphere during the internship itself, creates, on the one hand, usefulness and support for

Directorate	Number of interns
Legal	1
Supervision of Investment Activity	1
Regulatory Regimes of Insurance Supervision	2
Analysis, Complaints and Resolution	1

the students by complementing their theoretical knowledge with real practical skills and, on the other hand, contributes to achieving a higher visibility of the FSC among Bulgarian students.

8.3. Development of information technologies for the needs of supervision

In 2024, in order to maintain and develop the established information infrastructure of the FSC, as well as to ensure the normal operation of the information systems and hardware resources, the contracts for maintenance of the individual components of the IT infrastructure, as well as the right to use the software products not owned by the FSC, were renewed in stages.

During the reporting period, the contracts for the provision of trust services were renewed, covering the issuance of Qualified Electronic Signatures (QES), Cloud Qualified Electronic Signatures (CQES), the B-Trust Qualified Time Stamp Service, and the use of the BSecure DSSLite

software product, which enables the extension of digital signatures to allow files to be signed in a web environment.

The FSC also renewed licenses for various software products used in the day-to-day work of its experts, including VMware virtualization software supporting the setup and maintenance of the FSC's virtual environment; Cisco's C100V Email Security (Spam Blocker); ESET PROTECT Essential On-Prem antivirus software; Subscription services for the maintenance of FortiGate and FortiWeb products, providing managed perimeter protection for incoming data; Software products from Microsoft, Adobe, and others.

In 2024, the official website of the FSC (<https://www.fsc.bg>) was upgraded to include new functionalities, improving access and usability for both internal and external users.

Throughout the year, technical specifications were prepared and public procurement procedures were carried out in accordance with the Public Procurement Act for license renewals and annual subscriptions for software solutions used to validate and generate Excel files according to EIOPA taxonomies for insurance and pension companies; software solutions for validating taxonomy data for public companies submitted to ESMA; software for validating data submitted to the EBA and exporting it to an external database; a procurement procedure, divided into three lots, for the purchase of computer and scanning equipment.

At the beginning of 2024, the FSC's UIS was launched in the production environment. The system automates the Commission's internal business processes while ensuring integration with external information systems, including those of the Ministry of Electronic Governance (MEU), the Bulgarian Stock Exchange (BSE), the Guarantee Fund (GF), Qualified Trust Service Providers (for QES validation), as well as the information systems of the European supervisory authorities: EIOPA, ESMA, and EBA.

To support the operation of the IIS in the production environment, the necessary licenses were renewed, including: Oracle database licenses for data array storage and management; Software licenses for virtualization, data backup, recovery, management, and protection.

During the reporting period, the FSC conducted training sessions focused on building models for supervisory purposes using the business analytics capabilities of Qlik Sense. This training focused on hands-on development of analytical models in Qlik Sense using real data provided by the Commission. It also included administrator skills for working with Qlik Sense, loading data, creating models, visualizing data over time, and generating charts.

To ensure sufficient disk space for the ongoing operation of the IIS, the FSC implemented an expansion of its data storage array.

Throughout the year, the FSC continued to benefit from virtual resources provided by the Executive Agency "Electronic Governance Infrastructure" via the State Hybrid Private Cloud. These resources are used for the backup and archiving of critical data and systems.

In accordance with the Ordinance on Minimum Requirements for Network and Information Security, the FSC updated and expanded its internal policies on Network and Information Security in 2024.

The Information Technology Directorate continued its active participation in working groups and projects of EIOPA, ESMA, and EBA throughout the year.

8.4 Report on the implementation of the budget of the Financial Supervision Commission for 2024 under the budget program “Improvement of the regulation and supervision of the non-bank financial sector”

The Financial Supervision Commission is a legal entity supported by the budget, according to Art. 2, para. 3 of the FSCA. The President of the Commission is the primary authorizing officer. The budget of the Commission is compiled, implemented and reported in accordance with the PFA. Revenues and expenses are reported according to the Unified Budget Classification(UBC) for 2024.

The Commission organizes its reporting in three separate reporting groups, with reports prepared for 2024:

- Budgetary implementation report of the FSC;
- Report on the accounts for funds from the European Union, administered by the National Fund to the Ministry of Finance;
- Report on operations and balances on accounts for foreign funds.

8.4.1. Budget implementation report

REVENUE

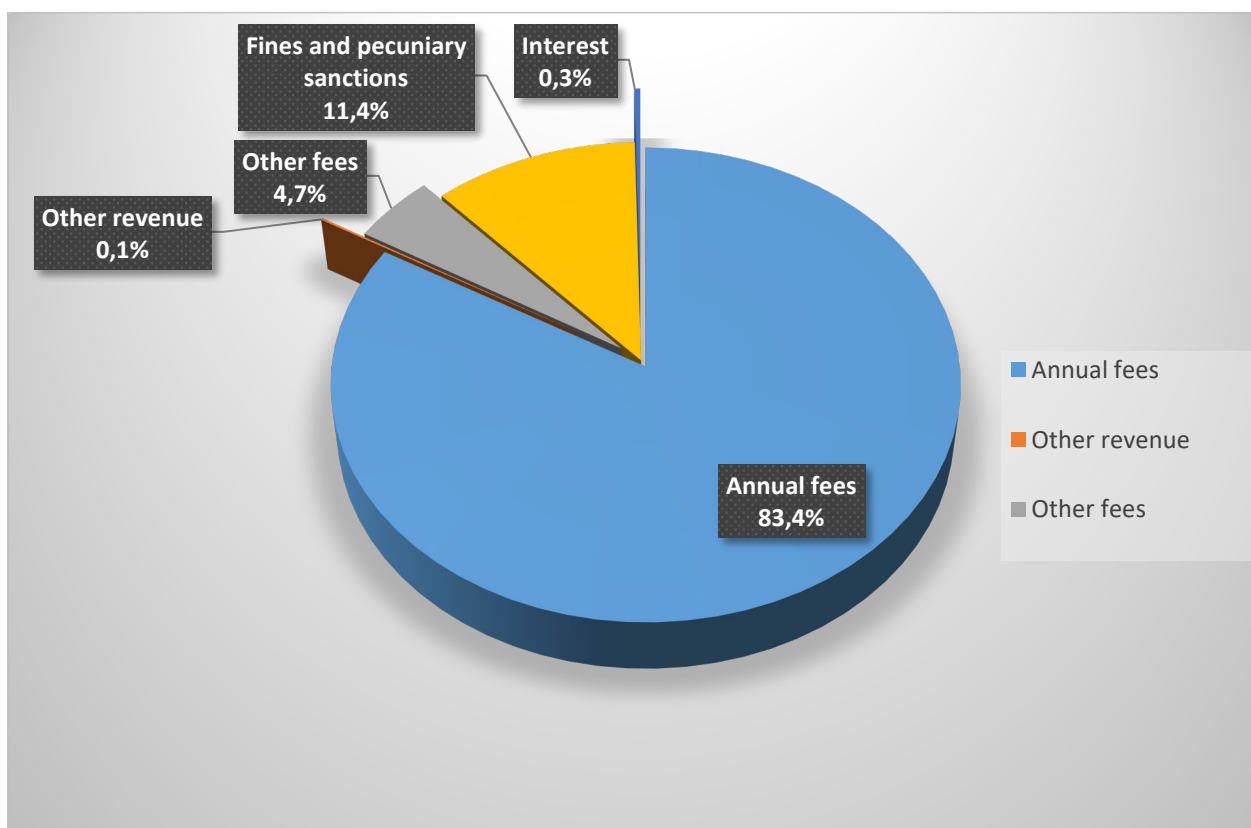
The budget implementation report of the FSC for 2024 reported a total revenue in the amount of BGN 21,722,734. The annual plan is implemented at 101.60%.

The revenue part of the budget receives mainly non-tax revenues from fees, according to Art. 27, para. 1 of the FSCA, fines, property sanctions and penalty interest. The proceeds from imposed fines and property sanctions go to the budget of the FSC, but according to Art. 28, para. 4 of the FSCA are reported as a contribution to the Central Budget.

The structure of revenues for 2024 was as follows:

- revenues from state fees - BGN 19,154,735, according to the Tariff for fees collected by the FSC, Annex to Art. 27, para. 1 of the FSCA. Of the total amount of the reported fees by bank or cash, the FSC received BGN 19,142,171, and BGN 12,564 were reflected on the basis of received inquiries and orders for amounts collected by the NRA. The largest relative share (95.68%) in the reported fees has the annual fee for general financial supervision - BGN 18,134,257, including the ones collected by the NRA. The received fees for issuing licenses and permits for carrying out activities and other permits and approvals amount to BGN 1,020,478;
- revenue from fines, pecuniary sanctions and interest - BGN 3,467,203 of which BGN 2,478,874 are fines and pecuniary sanctions under penal decrees and decrees under Art. 287 of APC that have entered into force, BGN 71,206 are interest for late payment of the annual fees for general financial supervision and penal decrees not paid within the statutory term and BGN 2,500 – contractual penalty. Amounts collected by the National Revenue Agency are also reflected on the basis of received inquiries and orders for BGN 914,623;
- other non-tax revenues (- BGN 899,204). - amount received from refunded legal counsel fees (+BGN 28,197) and public receivables of the FSC collected by the NRA (- BGN 927,187), which according to instructions given by the Ministry of Finance, are also reflected with a “minus” sign in the cash report A negative exchange rate difference (- BGN 214) is also recorded;

Chart 23. Structure of FSC revenues in 2024



EXPENSES

The statement on cash amounts in FSC's budget for 2024 reported total **expenses** in the amount of **BGN 21,399,122**, distributed as follows:

- staff expenses – BGN 15,695,137, including reported payroll costs and remuneration of employees, remuneration paid to employees on non-permanent posts, those employed under Resolution No. 66 of 1996 of the Council of Ministers for staffing of certain positions in budgetary organizations, for social, household and cultural services for persons under employment contracts, for compensations to employees under the Labour Code under Art. 40, para. 5 of the SIC, as well as costs for mandatory social insurance contributions due by the employer. The reported expenses for salaries and wages in 2024 amount to BGN 13,103,381;
- current operating costs - BGN 2,542,990. The amount is spent for rent, security, cleaning and maintenance of the administrative building of the FSC shall keep, electricity, telecommunications and postal services, software and hardware maintenance, insurance, stationery, spare parts and consumables for hardware, printed materials and other supplies and services. Funds for specialized trainings for FSC employees and for business trips in the country and abroad have also been reported.
- expenses for taxes and fees – BGN 51,316. for payment of state fees for promulgation of FSC decisions in the State Gazette, tax on official cars, municipal and state taxes and fees;

- expenses for membership fees and participation in non-profit organizations and activities - BGN 2,351,347. The cost is for annual membership fees in connection with the participation of the Financial Supervision Commission in European supervisory bodies - ESMA, EIOPA and for membership in international organizations - IOSCO, IOPS, IAIS and for annual membership fees in the Bulgarian Society for Public Relations;
- capital expenditure - BGN 758 332, formed as follows:
 - √ (+ BGN 10,550) - costs for the partial replacement of the windows of the administration building;
 - √ (- BGN 492,508) - for the acquisition of computers and hardware as a result of the following:
 - (- BGN 511,163) - in connection with the additional funding granted under project BG05SFOP001-1.011-0001 for the development of the Unified Information System (UIS) and Supplementary Agreement No. 3 of 10 May 2024 to Administrative Contract No. 41/23.07.2020, based on which the expenditures incurred by the Commission in 2022 and 2023 for a data storage disk array and 7 servers, totalling BGN 511,163, were recorded as a decrease in expenditure under the relevant sub-item in the Budget area and as an increase in expenditure in the EU Funds area, in accordance with the guidance provided in DDS No. 1/2015;
 - (+ BGN 18,655) for the acquisition of 5 scanners and 5 computer configurations;
 - √ (+ BGN 5,719) for the acquisition of an additional climate control system for the server room.
 - √ (+ BGN 1,234,571 for the acquisition of intangible fixed assets - licences and software.

The spending of the funds under budget paragraphs is within the approved budget for the year, is in compliance with the revenues from fees and the transfer from the central budget and represents 99.79% of the annual plan. The realization of the expenses is carried out under a regime of strict financial control and is in accordance with the goals and priorities of the FSC.

For the period 01.01.2024 - 31.12.2024 current and BGN 931,689 capital expenses were reported in the field of electronic management and the information and communication technologies used. The costs are for computers and scanners, software maintenance, hardware maintenance and repair, subscriptions to information systems, software and licences.

Transfers, budget balance and budget financing

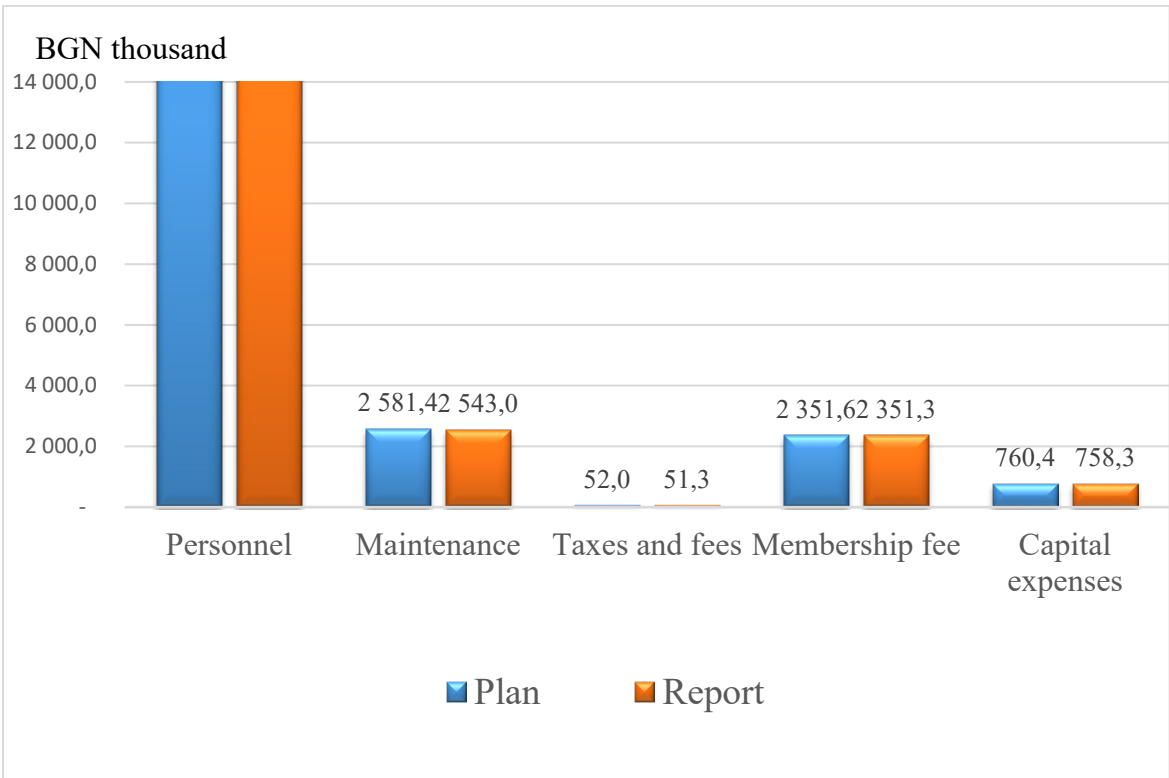
In the statement for the period as at 31.12.2024, on the line for the budgetary relationship with the central budget, the amount of BGN (-) 265,221 is reflected, which is the result of the following:

- transfer from the Central Bank (+) BGN 2,227,268 - fulfilment vs. the plan 72.69%.
- contribution to the central budget pursuant to Art. 28, para. 4 of the FSC Act (-) BGN 2,552,580. - fulfilment vs. the plan 85.09%.
- funds allocated in 2024 under item 27 of VAT 6/04/04/2008 in connection with the implementation of project BG05SFOP001-1.011-0001 for the establishment of a Unified Information System, accounted for in 2023 under item 4 of the Minister of Finance's Instructions - VAT 01/26/01/2015 - (+) BGN 60,091

There is a surplus of BGN 58,391, and financing in the budget balance in the same amount with a minus sign, as a result of reported amounts under subparagraph 88-03 "Funds collected and

payments made from/to EU accounts” - (BGN 60,091), the difference between available and transferred balance on a foreign currency budget amount (BGN +143) and the difference between the available and transferred foreign funds (BGN +1,557).

Chart 24. Structure of FSC budget expenditures in 2024 – planned and reported



8.4.2 Statement of accounts for funds from the European Union

The Financial Supervision Commission has concluded a contract for the implementation of project BG05SFOP001-1.011-0001 for the construction of a Unified Information System, carried out with the financial support of the Operational Program “Good Governance”, co-financed by the European Union through the European Social Fund under procedure BG05SFOP001-1.011 through a direct grant.

As of 31 December 2024, the reported expenditures under the EU Funds area amounted to BGN 571,254, distributed as follows:

- current operating expenses - BGN 60,091. In 2024, following the final verification of expenses under project BG05SFOP001-1.011-0001 for the development of the Unified Information System, the unspent balance from indirect costs was used to organize an off-site team event for FSC staff aimed at analysing the opportunities and functionalities of the newly developed system.
- capital expenses - BGN 511,163. In 2024, additional funding of BGN 511,163 was granted under project BG05SFOP001-1.011-0001 for the development of the UIS, and a supplementary agreement was signed under the project implementation contract On this basis, the capital expenses made from the FSC’s budget in 2022 and 2023 for the purchase of a data storage disk array and 7

servers, totalling BGN 511,163, were recognized as eligible for funding under the project and were verified by the OPGG.

Funding was received from OPGG for the expenditures incurred under the UIS development project, and following the verification of all project-related costs, the temporary interest-free loan amounting to BGN 988,596 was repaid in accordance with item 47 of DDS 6/2011.

8.4.3. Report on operations and balances on accounts for foreign funds.

Funds for guarantees under the Public Procurement Act are received on the account for foreign funds of the FSC. The balance under it as of 31.12.2024 is BGN 8,125.

8.4.4 Changes to the FSC Budget

For the period from 1 January to 31 December 2024, the following changes were made to the budget of the Commission:

1. Pursuant to Art. 109, paras. 3 and 5 of the PFA, eight budget amendments were implemented, increasing the expense under the item “Capital expenses – Acquisition of non-current assets and major repairs” by BGN 393,678. Of this amount, BGN 387,958 was allocated to priority projects No. 49 “Acquisition of software products and licenses for software products” and No. 50 “Acquisition of computers and hardware”, as listed in Annex No. 2 to the 2024 State Budget Act of the Republic of Bulgaria. Additionally, under Art. 106, para. 7 of the same Act, a supplementary amount of BGN 5,720 was allocated to the project “Acquisition of other equipment, machinery and facilities”. As a result, the indicator “Maximum amount of new liabilities that may be accrued in 2024” was increased by BGN 393,678.

2. Pursuant to Art. 110, para. 3 of the PFA in connection with Art. 78, para. 5, item 2 and para. 6 of the State Budget of the Republic of Bulgaria Act for 2024 and the Decision of the General Meeting of the FSC employees on spending funds for social, domestic and cultural services on 02.12.2024, the expenses under the indicator “Maintenance and other current expenses” were reduced and the expenses under the “Staff” indicator were increased by BGN 253,000. The “Maximum amount of spending commitments that can be made in 2024” and “Maximum amount of new liabilities that may be accrued in 2024” indicators have been reduced by the same amount;

3. Pursuant to Art. 112, para. 2 of the PFA internally compensated changes were made between the budget items of the Commission, as follows:

- On 24.04.2024, the item “Current expenses – Maintenance and other current expenses” was decreased and the item “Current expenses – Paid taxes, fees, and administrative sanctions” was increased by BGN 8,000. The “Maximum amount of spending commitments that can be made in 2024” and “Maximum amount of new liabilities that may be accrued in 2024” indicators have been reduced by the same amount.
- On 26.11.2024, the item “Current expenses – Maintenance and other current expenses” was decreased and the item “Capital expenses – Acquisition of non-current assets and major repairs” was increased by BGN 122,077.

- On 18.12. 2024, the item “Current expenses – Maintenance and other current expenses” was decreased and the item “Capital expenses – Acquisition of non-current assets and major repairs” was increased by BGN 244,623. Notification letters regarding the above changes were sent to the Minister of Finance.

8.4.5. “Maximum amount of spending commitments and maximum amount of new liabilities

The indicator “Maximum amount of spending commitments that can be made in 2024” under the revised plan amounts to BGN 5,749,000. The decrease of BGN 261,000 from the initial plan results from the adjustment to the indicator “Current expenses – Paid taxes, fees and administrative sanctions,” for which no commitments are undertaken, as well as the adjustment under Art. 110 of the Public Finance Act (PFA) for employee social and cultural benefits.

The reported amount under the indicator “Maximum amount of spending commitments that can be made in 2024” as of 31 December 2024 is BGN 4,799,779. The report on the budget commitments includes information on all the commitments that arose and were realized for the period, regarding all the contracts concluded during the period, as well as the commitments with immediate implementation.

The indicator “Maximum amount of new liabilities that may be accrued in 2024” according to a specified plan is in the amount of BGN 5,693,378. The change to the indicator reflects the adjustment under the indicator “Current expenses – Paid taxes, fees and administrative sanctions” (- BGN 8,000), the adjustments to the indicator “Capital expenses – Acquisition of non-current assets and major repairs” totalling (+ BGN 393,678) pursuant to Art. 109, paras. 3 and 5 of the PFA, as well as the adjustment under Art. 110 of the PFA for employee social and cultural benefits (- BGN 253,000).

The reported amount under the indicator “Maximum amount of new liabilities that may be accrued in 2024” as of 31 December 2024 is BGN 5,651,188.

For the EU funds accounts, information is reported as of 31 December 2024 on commitments and new expenditure liabilities incurred during the period in the amount of BGN 571,254, as a result of off-balance sheet entries under the EU Funds Account Area (ECΦ) related to the recognition of capital expenditure in the amount of BGN 511,163 incurred from the Commission’s budget in 2022 and 2023 and deemed eligible under Project BG05SFOP001-1.011-0001 for the development of the Unified Information System (UIS), as well as current expenditure amounting to BGN 60,091.

8.5. Activity Report on the Internal Audit at FSC for 2024

The activity of the IAU in 2024 was carried out in accordance with the requirements of the Public Sector Internal Audit Act, the International Standards for Professional Practice in Internal Auditing, the Code of Ethics of Internal Auditors and the Methodology issued by the Minister of Finance.

During the period, the Annual Audit Engagement Plan for 2024 was implemented, and the implementation of the Strategic Internal Audit Activity Plan for 2022–2024 was completed. Both the

strategic and annual plans were developed based on a risk assessment and formed the basis for audit engagements of core activities, supervisory practices, and procedures that are essential for achieving the objectives of the Commission. The audit activity plans were approved by the Chair of the FSC and coordinated with the Commission.

In the planning and execution of internal audits, a process-based audit approach is applied. The internal audit activity provides added value by encouraging the introduction of uniform internal procedures, where appropriate, supporting the development of internal controls, and improving the conditions for the functioning of the Commission as an effective supervisory authority in the non-bank financial sector.

In 2024, audit engagements were carried out both to provide assurance and as formal consulting engagements, as follows:

- Audit of supervisory practices and procedures of the Investment Activity Supervision Division regarding the implementation of the Public Offering of Securities Act (POSA) and Regulation (EU) 2020/1503 on European crowdfunding¹⁰ service providers for business during 2023–2024;
- Audit of the performance of the tasks assigned in 2023 related to the review of complaints, signals, and inquiries by the Departments of Supervision of Investment Firms, Financial Instruments Markets and Market Abuse Investigations and Specialized Supervision of Anti-Money Laundering and Counter-Terrorist Financing Measures within the Investment Activity Supervision Directorate, conducted jointly with the Internal Audit Unit of the FSC.
- audit of human resource management activities at the FSC in 2023;
- audit of asset management activities in 2024;
- participation in a working group for drafting the FSC Strategy for the period 2025–2027 and the Risk Management Strategy for 2025–2027, with the internal audit function actively supporting the update of the Risk Management Strategy for the upcoming three-year period.

In 2024, a total of eight informal consulting audit engagements were carried out. The most significant among them were related to supporting the drafting process of internal and other documents by providing notes, comments, and proposals.

During the reporting period, 14 recommendations were issued as a result of the internal audits conducted. A consistent trend has been observed of the IAU recommendations being accepted by the heads of the audited structures and the FSC management. A high implementation rate is maintained, including the undertaking of corrective actions during the course of the audit engagements. This demonstrates the internal audit function's ability to formulate relevant development and control improvement proposals and its effective, results-oriented communication. The IAU supported the monitoring of the implementation of planned measures by maintaining up-to-date information in a centralized register of FSC recommendations.

The main findings regarding the functioning of the FMCS at the FSC, based on the internal audit activities, are as follows:

¹⁰Regulation (EU) of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937

- The Commission has established a steady process of goal setting is established with regard to the presence of legally regulated purposes, outlined priorities and mid-term strategic objectives, and determining and reporting of annual activities to achieve those.
- Risk management is an integral part of the overall management process in the Commission, based on prescribed rules and procedures.
- At the end of 2024, the FSC developed and adopted its Strategy for the period 2025–2027 and the Risk Management Strategy for 2025–2027. These documents define the Commission’s priorities and objectives for the upcoming three-year period. Based on the accumulated experience, the standardized approach to risk management was reaffirmed, which is expected to continue ensuring the timely implementation of adequate measures addressing risks that may hinder the achievement of the institution’s goals.
- The Commission applies adequate rules and procedures in the area of FMCS. In line with the Financial Management and Control in the Public Sector Act and the applicable methodology in this field, efforts should be directed toward the successful finalization of measures for developing written rules for subsequent performance assessments.
- The rules and procedures for the control of audited activities are generally risk-oriented and ensure legality and effectiveness. Identified issues and discrepancies stem from specific cases and individual lapses in the first line of control.
- The rules and procedures implemented at the FSC ensure the reliability, comprehensiveness, and safeguarding of financial and operational information.
- The Commission undertakes efforts to maintain effective systems for communication and information exchange.
- FSC activities are subject to monitoring, which results in the proposal of corrective measures and, where necessary, the implementation of changes – development opportunities are focused on the timeliness of actions.

8.6. Report of the Inspectorate

In 2024, the Inspectorate of the FSC in accordance with the provisions of the Regulations on the structure and activities of the FSC and its administration and the Internal rules for the activity of the Inspectorate in the FSC, the Ordinance on the organization and procedure for checking declarations and detecting conflict of interest, and in fulfilment of the orders of the Chair of the FSC, carried out scheduled and unscheduled inspections regarding the activities of the employees of the FSC administration.

In 2024, the Inspectorate of the FSC supported the Chair of the FSC in exercising control functions concerning the activities of the Commission’s administration, the FSCA, the Administration Act, and the Anti-Corruption Act.

The work of the Inspectorate during the year was carried out to achieve the following objectives:

1. Assisting the FSC to ensure by legal, administrative and informational means the stability and transparency of the non-banking financial system in the Republic of Bulgaria, as well as to protect the interests of investors, insured and socially insured persons.

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

3. Prevention and elimination of violations in the functioning of the administration through an independent and objective assessment;

4. Achieving effective administrative control over the activity of the administration by carrying out inspections, formulating proposals/measures to improve the work and eliminating the identified weaknesses and violations;

5. Strengthening control in the FSC by providing assessments, appropriate, accurate and timely recommendations to improve its effectiveness;

6. Control for the legal and correct functioning of the structures, by removing the identified weaknesses and violations, based on the implementation of proposed measures and recommendations;

7. Introducing effective mechanisms conducting the state anti-corruption policy through internal control and prevention of corruption;

8. Focusing of the Inspectorate on increasing customer satisfaction through timely verification of received proposals and signals against administrative units and employees and an effective response to eliminate the detected irregularities;

9. Strengthening the administrative capacity and increasing the professional qualification of the employees in the unit, as well as improving the interaction with other bodies, organizations and units;

To achieve the goals, the activity of the FSC Inspectorate in 2024 was aimed at:

1. Performing inspections based on signals and proposals against illegal or improper actions or inactions by FSC administration officials;

2. Performing joint inspections with other units of the FSC at the request of European and international authorities and institutions.

3. Collecting and analysing information and performance of inspections at their own initiative to ascertain violations, potential corruption and non-effective operation of the administration;

4. Carrying out inspections in compliance with the regulations in the performance of the functions in the inspected structural units, in order to limit negative phenomena and improve the activity in the administration of the FSC;

5. Performing inspections for analysis of the activity of the units and organization of the work in the FSC administration;

6. Initiation of proposals for change of the legal framework, on the occasion of gaps, weaknesses and errors in the activity of the FSC administration.

7. Reporting the results of the performed inspections and giving proposals for elimination of the identified gaps and violations.

When implementing its control functions, the Inspectorate performed 24 scheduled and ad hoc inspections:

Scheduled inspections:

- for evaluation of the efficiency of the activity - 1;
- for compliance with applicable laws, regulations and internal acts on the organization of the activities of administration officials - 2;
- for submission and verification of declarations under CCUAAFA/CCA /- 15.;
- follow-up inspections – 1.;
- incomplete scheduled inspections - 1; (inspection deadline 31.01.2025 - inspection completed on time).

Ad hoc inspections

- concerning unlawful or improper actions or inactions by administrative staff / joint inspection with the IAU – 1 case;
- upon request of the Secretary General – 1 case;
- inspection of information presented in alerts submitted by FSC employees – 2 cases.

The FSC Inspectorate initiated 1 change in regulatory and internal acts.

Number of employees trained during the year - 1.

As a result of the inspections carried out, incompatibility of 3 employees of the FSC was established (the employees themselves took actions to terminate the employment relationship with the FSC) and a proposal for disciplinary action was made for 1 employee (the employee himself took actions to terminate the employment relationship with the FSC). In addition to the cases mentioned above, it should be pointed out that from the inspections completed in 2024, it has been established that the administration of the FSC has lawfully performed the tasks assigned to it and has not committed any other administrative violations subject to sanction. There were no illegal or improper actions or omissions of any FSC administration officials. No conflict of interests and non-compliance with the deadlines for submitting declarations under the Anti-Corruption Act has been established. Notwithstanding these conclusions, specific proposals have been made for correction and improvement of the activity of the respective administrative units in the FSC.

8.7. Report of the Revenue Collection Unit

The collection of the FSC's receivables is carried out by the Revenue Collection Unit, in accordance with the provisions of the Regulations on the Structure and Activities of the FSC and its Administration, in compliance with the applicable legislation and internal rules

In pursuit of its strategic objectives, the FSC optimized its processes and activities related to debt collection during the reporting period. Measures and actions aimed at the effective collection of revenues were intensified, including efforts to encourage voluntary compliance by supervised entities through electronic messages, letters, and/or telephone contact. Timely measures were taken to collect

the fees for the general financial supervision activities, as specified in Annex to Art. 27, para. 1 of the FSCA. Actions were carried out in accordance with the Administrative Violations and Sanctions Act and the Tax and Social Security Procedure Code for the voluntary collection of fines and pecuniary sanctions imposed by enforceable sanctioning acts, statutory interest, and court expenses awarded in favour of the FSC. For supervised entities that deliberately avoid payment of their obligations to the FSC, administrative proceedings were initiated to establish public claims, obtain writs of execution, and submit the claims for enforcement to public enforcement officers with the National Revenue Agency and/or private enforcement agents.

In 2024, the FSC organized and implemented actions for initiating, tracking, and terminating administrative proceedings for the issuance of acts establishing public receivables related to unpaid financial supervision fees under Art. 27, para. 1 of the FSC Act and statutory interest for late payment. Requests for refunds and/or set-offs of overpaid or mistakenly paid fees, fines, and sanctions were reviewed, and draft orders, opinions, and letters in response to objections and inquiries related to debt collection activities were prepared.

During the reporting period, 83 acts for the establishment of public receivables were issued under administrative proceedings initiated in 2023 against FSC-supervised entities. The obligations under 13 of these acts were voluntarily paid by the entities concerned. The obligations under 13 of the acts were voluntarily settled by the respective entities. Additionally, in 2024, a total of 258 administrative proceedings were initiated for the issuance of individual administrative acts establishing public receivables for overdue annual fees for general financial supervision and statutory interest for delay. Obligations under 47 of these proceedings were voluntarily paid, leading to their termination. Of the opened proceedings, 190 were concluded with the issuance of acts establishing public receivables, with 28 of the obligations paid before any enforcement actions were initiated. Further results were achieved through the voluntary settlement of public receivables that were at risk of becoming time-barred. Uncollected obligations under enforceable acts for the establishment of public receivables were submitted to the National Revenue Agency and/or transferred to private enforcement agents for compulsory execution.

In 2024, a decrease was observed in the number of non-compliant debtors, along with an increase in the amounts collected for the repayment of public liabilities accrued in previous years. The total amount of overdue public receivables decreased by BGN 120,413 compared to 2023.

In connection with unpaid obligations under enforceable sanctioning acts for imposed fines, pecuniary sanctions, and statutory interest for delay, as well as court expenses awarded to the FSC, the “Revenue Collection” unit prepared and sent 166 notices for voluntary compliance to the liable parties. As a result, more than two-thirds of the receivables were voluntarily paid, while the outstanding amounts were referred to the NRA and/or private enforcement agents for compulsory enforcement.

III. MARKET ANALYSIS OF THE NON-BANKING FINANCIAL SECTOR

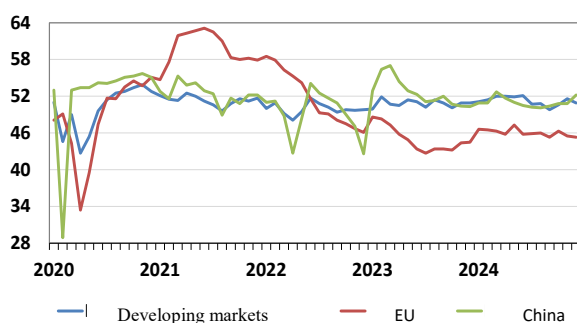
1. External environment and economic activity

1.1. External environment

The global economy exhibited mixed dynamics in 2024. The growth rate of gross domestic product in the EU accelerated to 1.1% in 2024, compared to 0.6% in 2023, while in emerging markets and developing economies in Europe it slowed to 3.4%, down from 3.6% over the same period. Key negative factors include the slow recovery of the global economy, the war in Ukraine, and others.

Despite the sluggish global recovery and the war in Ukraine, the Purchasing Managers' Index (PMI) for new orders maintained a stable performance in 2024. In emerging markets, the PMI remained unchanged at 50.9 points as of December 2024 compared to the previous year. In the EU and China, it increased to 45.3 and 52.2 points respectively as of December, compared to 44.5 and 50.3 points in December 2023. The index remained below the reference threshold of 50 points – indicating contraction rather than expansion – only in the EU, likely due to the impact of the war.

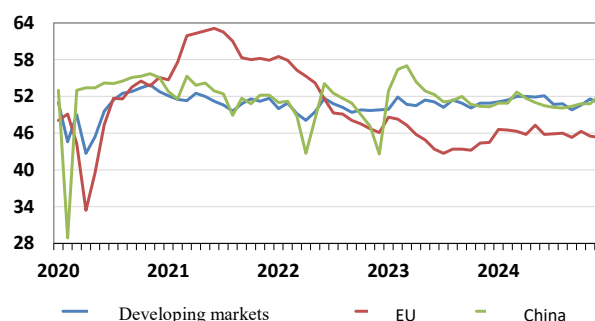
Chart 25. PMI in manufacturing



Source: Bloomberg

Industrial production in the EU, despite declining for most of 2023, stood at -1.1% as of December 2024, compared to -1.2% at the end of 2023. The slowdown in global activity and uncertainty about the future economic outlook were among the key factors behind the decline in industrial output.

Chart 26. Industrial production (excluding construction)



Source: Bloomberg

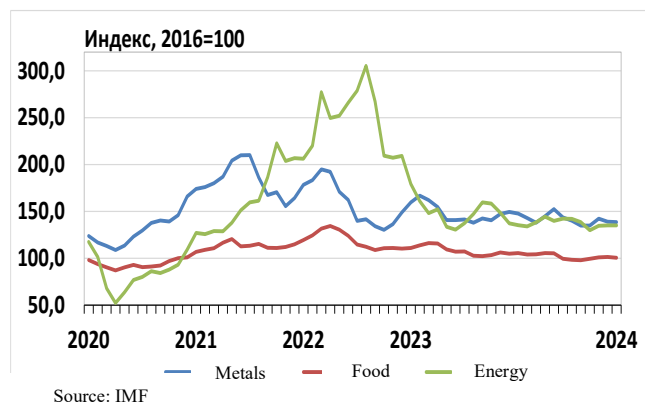
The metal price index declined in 2024, with the drop in the second half of the year driven by the slow global recovery and lower industrial consumption. As of December 2024, the index fell to 138.5 points, compared to 149.5 points at the end of 2023.

The oil price index also declined, despite production cuts by the Organization of the Petroleum Exporting Countries (OPEC+) during the year. The fall was influenced by weak demand and rising production from non-OPEC+ countries such as the United States and Guyana. At the end of 2024, the energy index reached 135 points, down from 137.2 points at the end of 2023.

The index of agricultural commodity prices traded on international markets also fell during 2024. The resumption of grain exports from Ukraine via the Black Sea contributed to the decline in grain prices. In the second half of the

year, the food index dropped to 100.6 points by December 2024, compared to 104.8 points in December 2023.

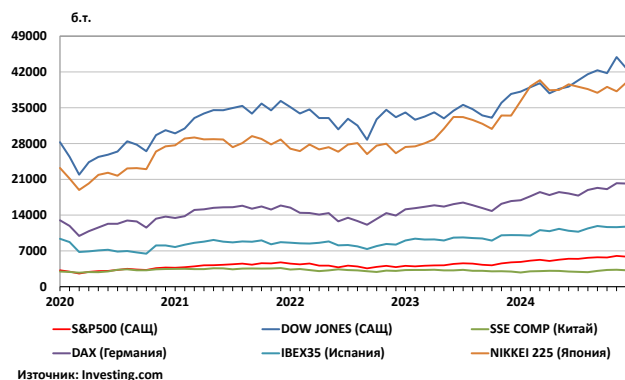
Chart 27. Dynamics of prices of food, energy resources and metals



Capital markets globally are reporting growth in 2024, driven by slowing inflation and a decrease in interest rates by central banks. In the euro area, the German DAX rose by 20.4% and the Spanish IBEX35 by 16.3%.

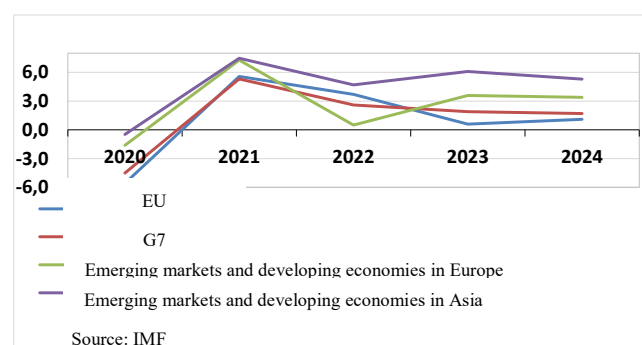
The US stock indices S&P 500 and Dow Jones rose by 23.3% and 13.4% respectively in 2024. Stock market performance in Asia in 2024 also followed an upward trend, with Japan's NIKKEI 225 increasing by 19.2% and China's SSE Composite Index rising by 7.8%, despite notable challenges in the real estate sector, subdued consumer demand, and others.

Chart 28. Capital markets in developed economies



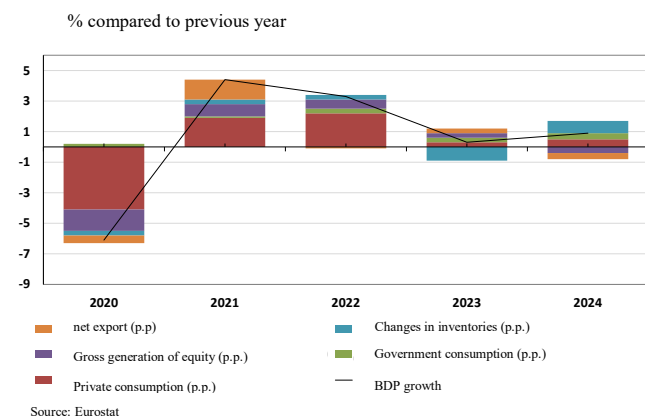
Economic growth in the EU accelerated to 1.1% in 2024, up from 0.6% in 2023. In contrast, the economies of the G7 (Group of Seven most developed countries) slowed to 1.7%, compared to 1.9% in the previous year. Growth in emerging markets and developing economies in Europe and Asia also moderated, reaching 3.4% and 5.3% respectively in 2024, down from 3.6% and 6.1% in 2023. The slowdown was primarily driven by the sluggish global recovery, the war in Ukraine, and other adverse factors.

Chart 29. GDP growth, annual rate of change



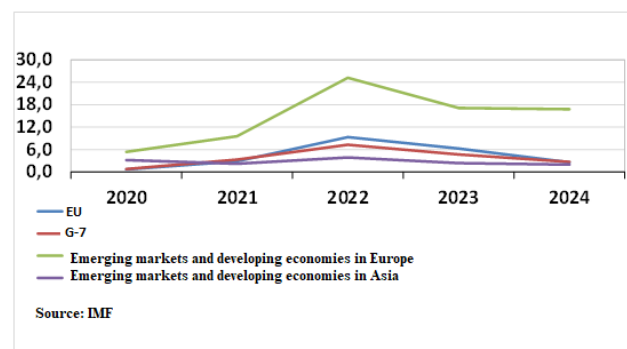
In 2024, real GDP growth in the euro area accelerated to 0.9%, up from 0.3% in 2023, despite the sluggish global recovery and the ongoing war in Ukraine. The contribution of private consumption rose to 0.5pp in 2024 from 0.3 p.p. in 2023. Investments and net exports reduced their contributions to -0.4 p.p., down from 0.3 p.p. in the previous year. Changes in inventories had a positive contribution of 0.8 p.p. in 2024, compared to a negative -0.9 p.p. in 2023. The contribution of government consumption increased slightly to 0.4 p.p. in 2024.

Chart 30. GDP growth in the euro area



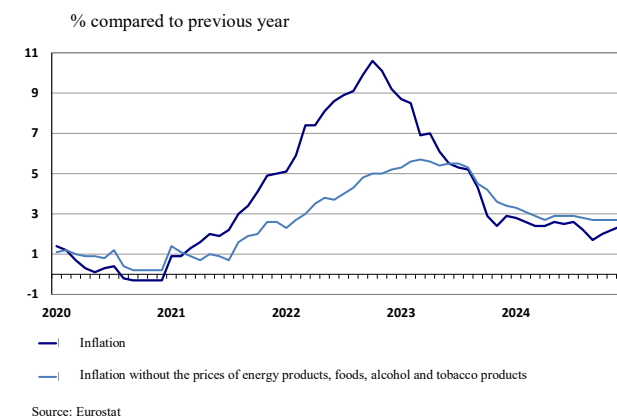
Inflation slowed down in 2024: In the G7, inflation dropped to 2.7% by the end of 2024, from 4.7% in December 2023. In the EU, inflation fell to 2.6%, down from 6.3% over the same period, though it remained above the 2% target level. The reasons for this are central bank policies.

Chart 31. Inflation



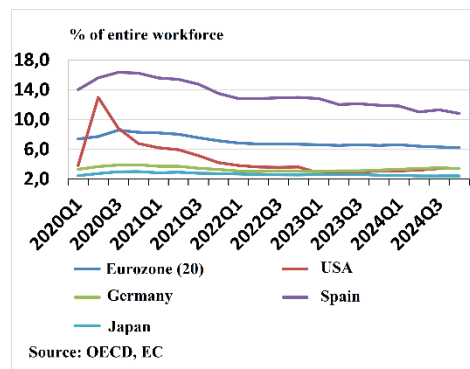
Euro area core inflation decreased to 2.4% in 2023, compared to 9% in 2022. Inflation, measured excluding energy, food, alcohol and tobacco prices, decreased to 2.7% from 3.4% for the same period.

Chart 32. Inflation in the euro area



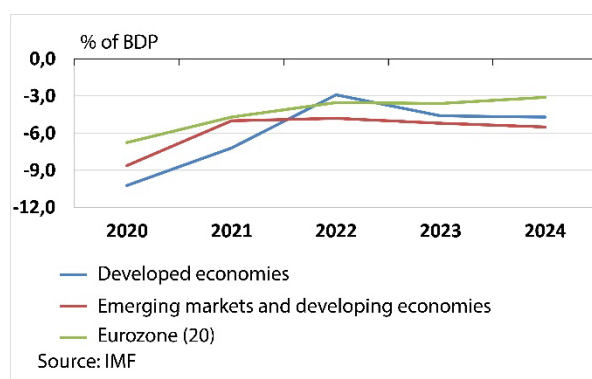
Unemployment showed mixed dynamics in 2024. Its level in the euro area dropped to 6.2% at the end of 2024 from 6.5% at the end of 2023. US unemployment grew, reaching 3.4% in December 2024, compared to 3.1% in the last quarter of 2023. Unemployment in Germany increased slightly to 3.4%, and in Japan it decreased minimally to 2.4% compared to the previous year.

Chart 33. Unemployment dynamics on a global scale



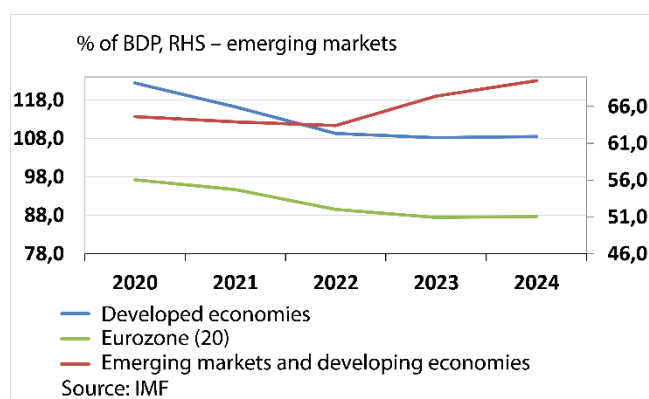
The budget deficit, globally, in 2024 has mixed dynamics. The budget balance in advanced economies reached -4.7% in 2024 from -4.6% in 2023. The euro area budget deficit slowed to -3.1% in 2024 from -3.6% in 2023. The budget deficit in emerging market and developing economies continued its decline to -5.5% in 2024 from -5.2% in 2023.

Chart 34. Budget balance



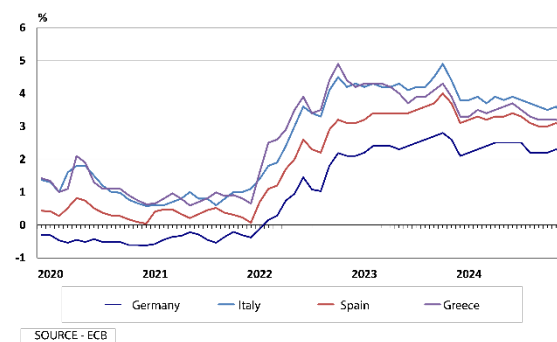
Total sovereign debt of euro area countries as a percentage of GDP rises to 87.7% in 2024 from 87.4% in 2023. Sovereign debt of advanced economies increases to 108.5% from 108.2% over the same period. Sovereign debt of emerging market and developing economies rises to 69.5% in 2024 from 67.4% in 2023.

Chart 35. Total sovereign debt



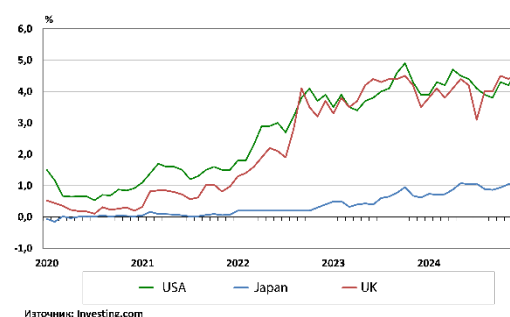
The long-term interest rate for convergence purposes had a different dynamics in 2024. The average annual interest rate on Greek and Italian government bonds decreased to 3.1% and 2.9% respectively, compared to 3.3% and 3.1% respectively in 2023. The average annual interest rate on German government bonds increased marginally to 2.2% in 2024 compared to the previous year. The average annual interest rate on Spanish government bonds decreased to 3.3% from 3.8% over the same period.

Chart 36. Long-term interest rate for the convergence of Germany, Italy, Spain and Greece



In 2024, the average annual interest rate on 10-year US Treasuries, despite its mixed performance over the period, increased to 4.6% by December 2024 from 3.9% at the end of 2023. The average annual interest rate on 10-year Japanese government bonds increased to 1.1% from 0.6% over the same period. The rise in government bond rates is a consequence of issuers' desire to raise additional capital. The average annual interest rate on UK government bonds rose to 4.6% from 3.5% in 2023. Rising interest rates on government bonds are having a negative impact on the economies of some emerging markets as they have to increase the interest rates on their government bond offerings to be competitive and attract investors.

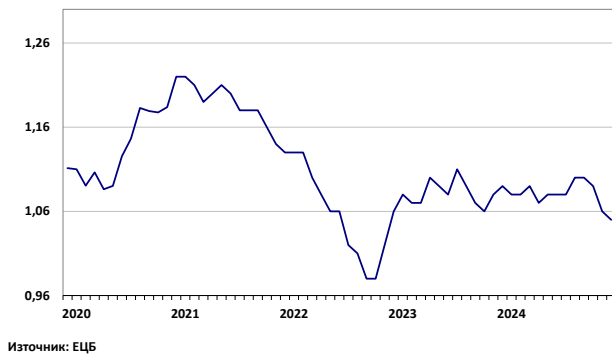
Chart 37. Yield of 10-year government securities of the US, Japan and UK



In 2024, the euro depreciated against the dollar, reaching an average annual rate of USD 1.05 per euro compared to USD 1.09 in 2023. The

slower recovery of the European economy and lower interest rates relative to those in the US are having a negative impact.

Chart 38. USD/EUR Exchange Rate



In 2024, GDP growth in Central and Eastern Europe (CEE) countries had different dynamics. The Czech and Hungarian economies in 2024 accelerated to 1.1% and 0.5%, respectively, compared to -0.4% and -0.9% in 2023. GDP growth in the Polish economy reached 2.9% compared to 0.2% over the same period. The Romanian and Turkish economies decelerated to 0.9% and 3.2%, respectively, from 2.1% and 4.5%, respectively, in 2023.

Table 27. Real GDP growth in CEE

	2023	2024
Czech Republic	-0,4	1,1
Hungary	-0,9	0,5
Poland	0,2	2,9
Romania	2,1	0,9
Turkey	4,5	3,2
Note: from the previous year (%)		
Source: IMF, National statistics		

In 2024, inflation in most CEE countries declines as a result of their central banks' policies. The highest inflation is in Turkey, which reaches 58.5% in 2024 compared to 53.9% in 2023. The Turkish central bank is using orthodox monetary policy again after several years of applying unconventional methods. Inflation in Poland and Hungary declines to 3.7% in 2024 from 11.4% and 17.1% respectively in 2023. Inflation in the Czech Republic falls to 2.4% from 10.7% over the same

period. Inflation in Romania falls to 5.6% in 2024 from 10.4% in the previous year.

Table 28. Inflation in CEE

	2023	2024
Czech Republic	10,7	2,4
Hungary	17,1	3,7
Poland	11,4	3,7
Romania	10,4	5,6
Turkey	53,9	58,5
Note: Change from the previous year (%)		
Source: IMF, national statistics		

In the CEE countries, unemployment in 2024 had mixed dynamics. Unemployment in Turkey fell to 8.7% in 2024 from 9.4% in 2023. Unemployment in Poland remained unchanged at 2.8%, while in the Czech Republic it increased slightly to 2.8%. Unemployment in Hungary rose to 4.5% in 2024 from 4.1% in 2023. Unemployment in Romania declined slightly to 5.4%.

Table 29. Unemployment rate in CEE

	2023	2024
Czech Republic	2,6	2,8
Hungary	4,1	4,5
Poland	2,8	2,8
Romania	5,6	5,4
Turkey	9,4	8,7
Note: Rate of unemployment (%) * Data is arithmetic mean		
Source: IMF, national statistics		

In 2024 most stock indices in CEE countries had positive dynamics. With the largest growth during the year is the Turkish BIST100 with 35.6%, the reason is the increase in investor confidence after the return to conventional monetary policy by the central bank. The Czech PX-PRAGUE SE and the Hungarian BUDAPEST SE INDEX grew by 25.8% and 31.6% respectively at the end of 2024. The Croatian CROBEX, the Polish WIG and the Romanian BET INDEX increased by 25.9%, 3.8% and 10.8% respectively. The slowdown in inflation and the reduction in interest rates by central banks are positive.

Chart 39. Capital markets dynamics in Poland, Hungary and Turkey

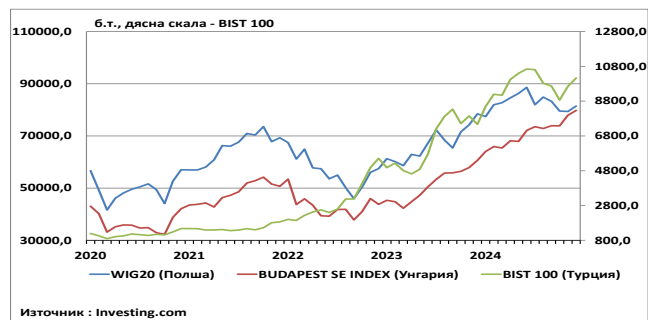
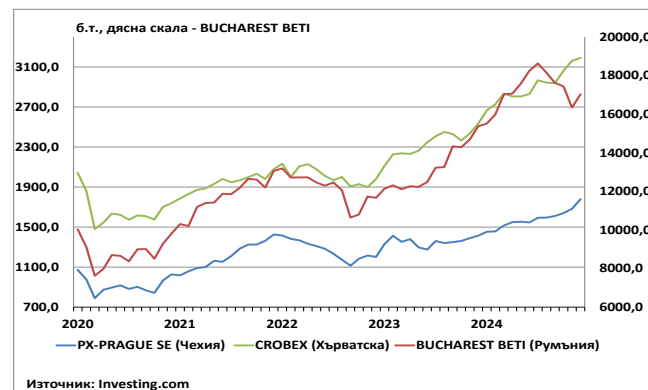


Chart 40. Capital markets dynamics in the Czech Republic, Romania and Croatia



1.2. Overview of economic activity in Bulgaria

The growth of the Bulgarian economy in 2024, according to preliminary data, amounts to 2.8% on an annual basis, for which the largest contribution is domestic demand.¹¹ Household spending in 2024 grows at a slower pace relative to their incomes, consumer confidence in the year slows its decline relative to 2023, but still remains at low levels at the end of 2024. Elevated consumer expectations for unemployment act in support of the indicator.

The volume of foreign direct investment in Bulgaria for 2024 amounts to EUR 2,854.0 million, which is EUR -1,780.5 million less than the previous year. In 2024, the country's gross external debt grew by 9.2% year-on-year to reach EUR 49.1 billion at the end of the year, representing 47.3% of GDP. After peaking at 8.7% in 2023, annual average consumer price inflation stands at 2.6% in 2024. House price and rent increases continue in 2024. The house price index increases its annual rate of change and from 9.9% on average in 2023 to 16.5% on average in 2024.

According to preliminary data for 2024, the current and capital account balance is negative and amounts to EUR -86.4 million, compared to a positive balance of EUR 628.7 million at the end of 2023. For the period January-December 2024, the deficit on the current account of the balance of payments reaches EUR -1,897.9 million. The capital account surplus increases year-on-year by EUR 336.5 million to EUR 1,811.5 million.

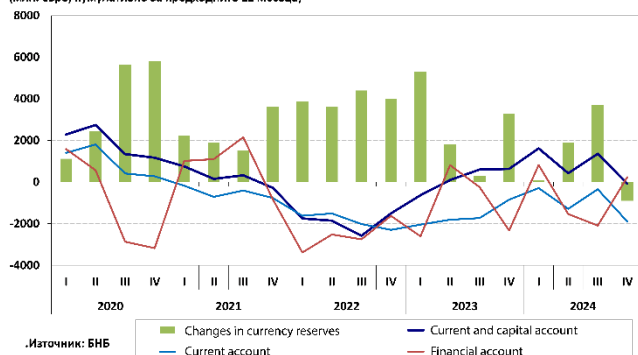
The financial account balance for the year is positive (EUR 233.2 million) compared to EUR -2,327.4 million at the end of the previous year. According to the balance of payments data, the country's international foreign exchange reserves

decreased by EUR -903.6 million. After accounting for exchange rate differences and price revaluations, the foreign exchange reserves in the BNB balance sheet increased by EUR 130.6 million, and the assets of the Issue Department amounted to BGN 42.1 billion at the end of 2024

¹¹ According to NSI data, the GDP in 2024 amounted to BGN 202,861 million.

Chart 45. Dynamics of main accounts of the balance of payment

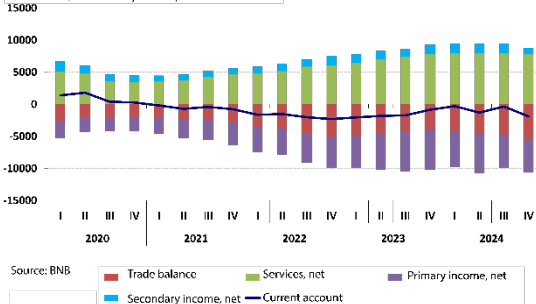
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The current account balance for the last 12 months is negative and at the end of 2024 amounts to EUR -1,897.9 million at the end of 2024 compared to EUR -846.3 million at the end of the previous year. The widening of the deficit is mainly due to the expansion of the negative trade balance by EUR -1,434.5 million and, to a lesser extent, to the contraction of the surplus on the services item.

Chart 46. Current account and its components

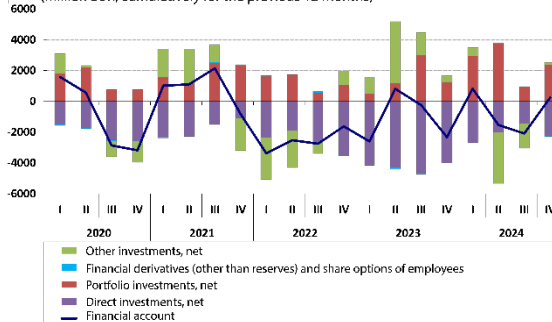
(million EUR, cumulatively for the previous 12 months)



For the period January-December 2024, the financial account balance amounts to EUR 233.2 million, against a deficit of -EUR -2,327.4 million at the end of 2023, which is mainly due to the larger increase in foreign assets of Bulgarian residents compared to that of liabilities to foreign residents.

Chart 47. Financial account and its components

(million EUR, cumulatively for the previous 12 months)



For the period January - December 2024, the flow of foreign direct investment (FDI) in the country amounted to EUR 2,854.0 million which is EUR -1,780.5 million less than the previous year. The majority of FDI in our country is in the form of reinvested profit (EUR 2,533.2 million) and equity capital other than reinvested profit (EUR 252.1 million). Despite both components being positive during the year, reinvested earnings recorded an outflow of FDI of EUR -1,371.3 million, while equity investment decreased by EUR -842.0 million compared to 2023. FDI flow in the form of debt instruments amounted to EUR 69.1 million, increasing by EUR 433.0 million compared to the previous year.

Table 30. FDI dynamics in Bulgaria by type of investment

	2020	2021	2022	2023	2024
Total	2761,0	1436,0	4127,8	4634,5	2854,0
Share capital other than reinvested earnings	532,8	-278,5	1688,8	1094,1	252,1
Reinvested earnings	1219,7	2471,9	3107,0	3904,5	2533,2
Debt instruments	1008,5	-757,3	-668,1	-363,9	69,1

In 2024, FDI has shrunk in the leading economic sectors. The financial and insurance activities sector attracted the highest volume of FDI at EUR 1,492.9 million compared to EUR 1,569.7 million in 2023. The "Electricity, heat and gas fuels production and distribution" sector recorded FDI of EUR 164.3 million, up by EUR 362.4 million compared to the previous year. The largest decrease of EUR -1 400.7 million in FDI was reported by the Manufacturing sector.

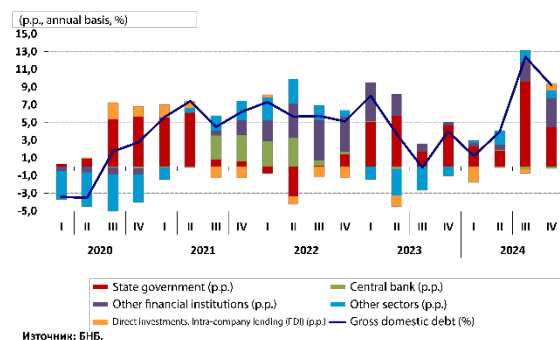
Table 31. FDI structure in Bulgaria by economic activity

	2020	2021	2022	2023	2024
Mining industry	47,2	15,4	44,3	99,7	-226,1
Manufacturing	205,3	-133,5	925,9	1448,1	47,4
Production and distribution of heat energy and gaseous fuels	-0,5	105,7	87,5	-198,1	164,3
Construction	214,8	-48,0	-17,8	120,4	23,9
Trade, repair of motor vehicles and motorcycles	24,9	126,9	1020,1	751,6	664,9
Transport, storage and postal services	229,6	-64,5	61,1	9,9	83,3
Accommodation Services	-76,2	-73,8	-10,4	29	-0,2
Creation and Distribution of Information and Creative Products, Telecommunications	170,0	280,3	838,9	518,2	124,8
Financial and Insurance Activities	479,5	901,3	1037,5	1569,7	1492,9
Real Estate Transactions	65,6	47,2	134,0	35,1	107,8

Note: Data are in million EUR. The structure covers ten leading economic sectors. The data for the stated periods is from the annual statistics.

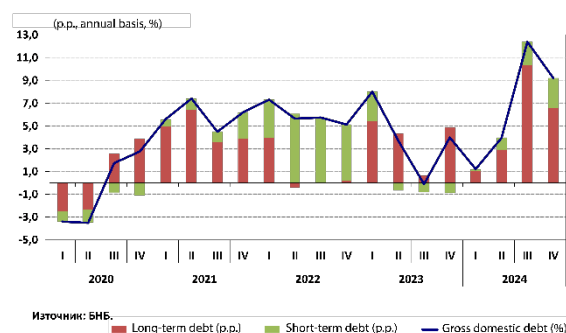
In 2024, the country's gross external debt increased by 5.8% on an annual basis, reaching EUR 43.9 billion at the end of the year or 51.9% of GDP. The increase in external debt was mainly due to the general government sector, which contributed positively by 4.4 p.p., as well as foreign bank liabilities with a contribution of 3.3 p.p.. The debt of the "Other sectors" and the domestic credit sector contribute 0.9 p.p. and 0.8 p.p., respectively, to the increase in gross external debt.

Chart 48. Dynamics of gross external debt by institutional sectors



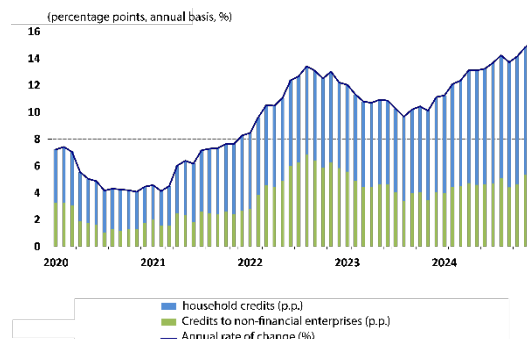
In line with the overall dynamics of gross external debt in 2024, the long-term component increases by 8.1% and represents 80.3% of total external debt at the end of the year. The short-term debt component increased by 14.0% and reached a share of 19.7% of the country's external debt at the end of the year.

Chart 49. Dynamics of gross external debt by maturity structure



In 2024, loans to non-financial corporations and households ¹²grew by 15.2%, up from 10.9% at the end of 2023. Loans to households grew at a faster pace (20.8%), contributing 9.7 p.p. to overall lending growth to the private non-financial sector. Loans to non-financial corporations recorded growth of 10.4%, contributing 5.6 p.p. to the overall dynamics.

Chart 410. Dynamics of loans to non-financial corporations and households



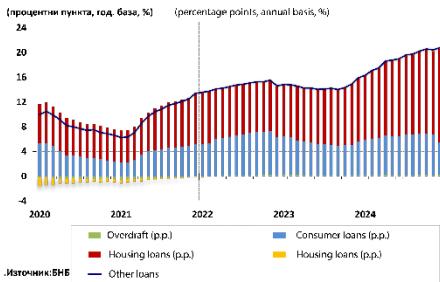
In 2024, loans to households grew by 20.8%, driven primarily by a 29.1% increase in housing loans during the year and contributing 15.1 p.p. to overall growth. Consumer loans were up 11.9% compared to 2023 and contributed 5.2 p.p.. Loans other than consumer and housing, as well as overdrafts, contribute to the overall growth by 0.5 p.p.

In 2024, the trend of improving the quality of the banks' loan portfolio continued, with the gross amount of non-performing loans and advances in

¹² Loans and overdraft

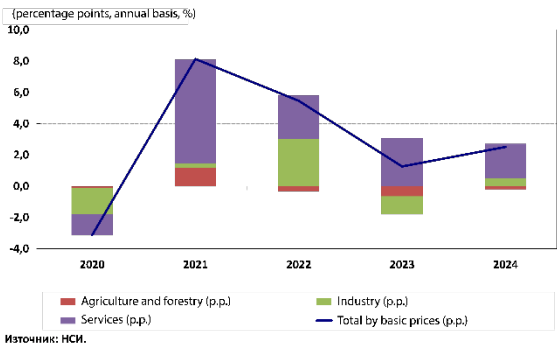
the banking system amounting to BGN 3.8 billion at the end of the year and their share in the total gross loans and advances shrinking to 3.2%. The net value of non-performing loans and advances, after deducting the impairment inherent in this classification category, amounts to BGN 1.93 billion at the end of 2024 or 1.6 % of the total net value of loans and advances.

Chart 411. Dynamics of loans to households



Total value added in the economy accelerates its growth in real terms to 2.5% in 2024 from 1.3% in 2023, with the services sector making the largest contribution (2.2 p.p.), followed by industry (0.5 p.p.), while the agriculture and forestry sector makes a negative contribution (-0.2 p.p.).

Chart 412. Dynamics of Value Added and contribution by sectors



A detailed breakdown of value added by sector in the economy shows that among services, the largest positive contribution to gross added value in 2024 was reported by the sectors: “Public administration; education; human health care and social work” (0.9 p.p.), followed by “Wholesale and retail trade; repair of motor vehicles and

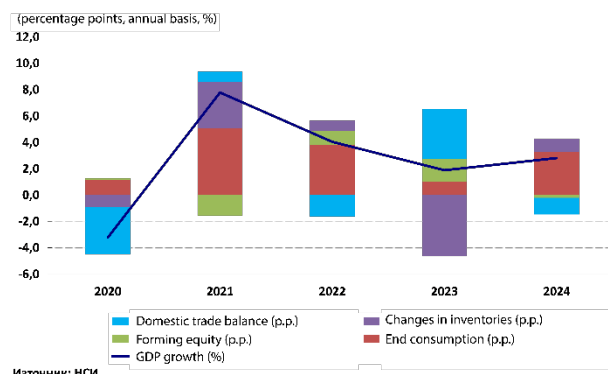
motorcycles; transportation and storage; accommodation and food service activities” (0.8 p.p.). The sectors “Financial and insurance activities” and “Creation and dissemination of information and creative products; telecommunications” each contributed 0.2 p.p. to value added. The contribution of industry from the sectors “Mining and quarrying; manufacturing; production and distribution of electricity, heat and gaseous fuels; water supply; sewerage, waste management and remediation activities” and “Construction” amounted to 0.3 p.p. and 0.2 p.p., respectively. The only negative contribution came from the “Agriculture, forestry and fishing” sector, with -0.2 p.p. to value added by sector.

Table 32. Dynamics of Value Added by sectors

Total for the economy (%)	2020	2021	2022	2023	2024
	-3,1	8,1	5,5	1,3	2,5
Принос (пр.п.)					
Agriculture, forestry and fisheries	-0,1	1,2	-0,4	-0,6	-0,2
Manufacturing, mining and quarrying; production and allocation of electricity, heating and gas fuels; water supply; sewerage services; waste management and recovery	-1,7	0,8	2,8	-1,3	0,3
Construction	0,0	-0,5	0,2	0,1	0,2
Trade, repair of motor vehicles and motorcycles; transport, storage and postal services; accommodation services	-1,4	2,9	0,2	1,3	0,8
Creation and distribution of information and creative products; telecommunications	0,5	0,6	0,2	0,3	0,2
Financial and insurance activities	0,5	1,4	0,6	0,2	0,2
Operations with real estate	-0,7	0,7	0,3	0,7	0,0
Professional activities and research; administrative and auxiliary activities	-0,2	1,0	0,4	0,3	0,0
Government management; education, healthcare and social works	0,4	0,1	1,1	0,4	0,9
Culture, sports and entertainment; others	-0,5	0,0	0,0	0,0	0,0

According to preliminary data, real GDP growth in 2024 amounts to 2.8% year-on-year. The main driver of economic growth is end consumption, contributing 3.3 percentage points. Among the components of domestic demand, household consumption performed the strongest, increasing over the year. Investment contributed 0.8 p.p., with diverging dynamics within its components: changes in inventories contributed 1.0 p.p., while gross fixed capital formation had a negative contribution of -0.2 p.p. Net imports increased in real terms, thus limiting GDP growth by -1.3 p.p.

Chart 413. GDP growth and contribution of components of final expenditures



Bulgarian exports of goods and services in 2024 amounted to EUR 43.1 billion, registering a decline of -2.9% compared to the previous year. The largest negative contribution to the overall volume came from exports of consumer goods (-2.3 p.p.), followed by exports of energy resources (-0.8 p.p.) and raw materials and supplies (-0.4 p.p.). Only capital goods helped mitigate the decline, contributing +0.6 p.p.

Table 33. Contribution of main groups of goods to the exports' dynamics

Export (% on an annual basis)	2020	2021	2022	2023	2024
	-6,3	24,9	35,8	-6,5	-2,9
Принес (п.п.)					
Contribution (p.p.)	0,2	2,9	6,6	-1,2	-2,3
Consumer goods	0,0	12,2	10,7	-2,6	-0,4
Raw materials	-1,3	5,5	7,8	2,7	0,6
Investment goods	-5,3	4,3	11,0	-5,4	-0,8
Energy resources	0,1	0,1	-0,3	0,0	0,0

Imports of goods and services in 2024 increased by 0.3 p.p., reaching a total of EUR 49.8 billion. The main positive contributions to this growth were from imports of consumer goods (+1.0 p.p.), followed by raw materials and supplies (+0.6 p.p.) and energy resources (+0.5 p.p.). The only negative contribution came from imports of capital goods (-1.7 p.p.).

Table 34. Contribution of main groups of goods to the import's dynamics

Export (% on an annual basis)	2020	2021	2022	2023	2024
	-8,9	27,6	40,6	-10,0	0,3
Принес (п.п.)					
Contribution (p.p.)	-0,4	4,2	6,6	1,0	1,0
Consumer goods	-0,3	10,5	12,2	-5,3	0,6
Raw materials	-2,1	6,1	9,0	2,1	-1,7
Investment goods	-6,2	6,7	13,4	-7,8	0,5
Energy resources	0,1	0,1	-0,6	0,0	0,0

The real growth of final consumption increased from 5.4% in 2023 to 9.6% in 2024. The main driver for the reported dynamics is the individual consumption of households (8.5 p.p.), and the individual consumption of the government contributes by 0.9 p.p. Collective consumption, which measures the government's final expenditure on collective services provided to society as a whole, contributing 0.1 p.p. to real growth in total end consumption.

Table 35. Growth of final consumption expenditure and contributions of its components

	2020	2021	2022	2023	2024
End consumption%	1,2	17,7	25,0	5,4	9,6
Individual consumption (p.p.)	-0,9	17,1	21,4	3,8	9,5
Household consumption(p.p.)	-4,9	16,4	19,5	1,7	8,5
Individual consumption by the government (p.p.)	4,1	0,7	1,7	2,0	0,9
Collective consumption (p.p.)	2,1	0,6	3,6	1,6	0,1

Note: data for 2024 are preliminary

The budget balance ¹³under the Consolidated Fiscal Program (CFP) in 2024 , according to official data, is negative in the amount of BGN - 6.2 billion, which represents a deficit of -3.0% of GDP. Revenue recorded a growth of 8.5%, primarily driven by social and health insurance contributions tax (+3.6 p.p.), value-added tax (VAT) (+3.5 p.p.), personal income tax (+1.3 p.p.), excise duties (+1.1 p.p.), non-tax revenues and grants limited the overall growth by -1.8 p.p. and -0.3 p.p., respectively.

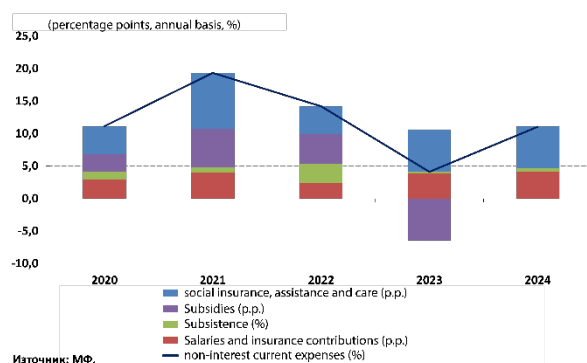
¹³As of 31 December 2024, based on data from the Consolidated Fiscal Programme (quarterly).

Graph 14. Contribution of components to the dynamics of budget revenue

Export (% on an annual basis)	2020	2021	2022	2023	2024
	-6,3	24,9	35,8	-6,5	-2,9
Принос (пр.п.)					
Contribution (p.p.)	0,2	2,9	6,6	-1,2	-2,3
Consumer goods	0,0	12,2	10,7	-2,6	-0,4
Raw materials	-1,3	5,5	7,8	2,7	0,6
Investment goods	-5,3	4,3	11,0	-5,4	-0,8
Energy resources	0,1	0,1	-0,3	0,0	0,0

Budget expenses for 2024 increased by 7.6% compared to 2023, with the largest positive contribution coming from non-interest current expenses (+11.0 p.p.). Within this category, social insurance, assistance, and care expenses contributed +6.5 p.p., and personnel expenses contributed +4.1 p.p. Capital expenditures and the increase in the state reserve had a negative contribution of -3.3 p.p. Subsidies to non-financial enterprises and non-profit organizations decreased by -2.0%, contributing -0.2 p.p., mainly due to unspent funds allocated to municipalities in previous years. The contribution to the EU general budget decreased by -13.9% in 2024 (compared to a growth of 8.5% in 2023), but had an insignificant overall impact on the change in budget expenditures (-0.4 p.p.).

Graph 15. Contribution of components to the dynamics of non-interest current expenses



In 2024, employment in Bulgaria recorded a slight annual decline of -0.1%, compared to -0.7% in 2023, with the number of employed persons aged 15 and over reaching 2.9 million. The highest employment rates were observed among individuals aged 35–44 and 45–54, both exceeding 85%.

The number of persons hired with employment and service contracts saw a deeper annual drop of -0.7%, down to 2.2 million people, compared to -0.4% in 2023. This decline is primarily due to a reduction in private sector employment (-4.7%). Across economic sectors, the number of employees decreased in nearly all industries, with the most significant drops in: Accommodation and food service with -13.6%, and Manufacturing sector: -3.7%. The public sector offset the overall decline in employment with an increase of 1.5% in 2024.

The income of employees measured by compensation of employees, representing gross income that also included changes in social insurance contributions, increased by 11.4% in 2024 compared to an increase of 15.1 % in the previous year. The unemployment rate decreased insignificantly, reaching 4.2% of the workforce in 2024.

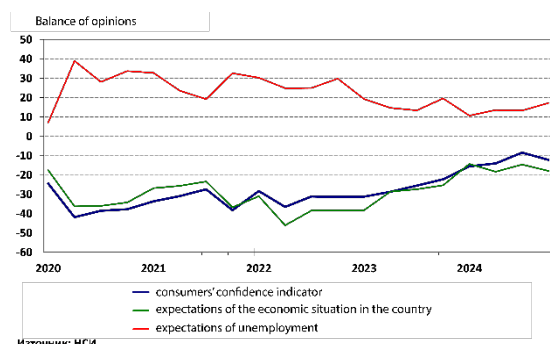
Table 36. Employment and income

	2020	2021	2022	2023	2024
Employed persons	-3,6	-7,9	2,0	-0,7	-0,1
Hired persons	-3,7	-7,8	2,1	-0,4	-0,7
Compensation for hired persons	4,2	12,4	14,6	15,1	11,4
Unemployment	5,2	5,2	4,2	4,4	4,2

Note: Data show a change compared to the previous year, and are preliminary for 2023;
* average unemployment rate for the period (% of the workforce).

Consumer confidence showed a slower decline over the year compared to October 2023 (-22.2 points), but remained low, reaching -12.2 points at the end of October 2024. Consumers' expectations for rising unemployment persisted, with the indicator reaching 17.2 points in 2024. The decline in consumer confidence regarding a more favourable economic outlook for the country eased, with the indicator improving to -17.9 points, up from 25.3 points over the same period.

Graph 16. Consumers' confidence indicator



Note: Unemployment expectations are taken with the opposite sign. An increase in the indicator means that consumers have optimistic expectations and vice versa.

In 2024, household income growth accelerated to 18.4% year-on-year, once again primarily driven by wages and pensions. Withdrawn savings showed a slower growth of 3%, while loans and credit increased sharply by 122% (with the average amount per household rising from BGN 112 to BGN 249).

Table 37. Dynamics of household incomes

	2020	2021	2022	2023	2024
Total income	5,5	6,9	15,5	17,0	18,4
Work salary	4,1	8,2	9,1	19,0	18,4
Savings withdrawn	-9,2	23,3	33,2	9,3	3,0
Loans and credits	-20,6	-23,1	4,5	-2,6	122,3

Note: Data are on an annual basis (%).

Источник: НСИ.

Household expenses in 2024 grew at a slower pace than income, marking a 16.0% increase compared to 16.4% in 2023. Tax payments decelerated to 19.7% compared to 27.2% in the previous year. Consumer spending rose to 16.0% in 2024, up from 14.6% in 2023. Households' propensity to save increased, with expenditures on deposits rising by 27.6%, while funds allocated for debt repayment or lending remained high at 36.7%.

Table 38. Dynamics of households' expenditures

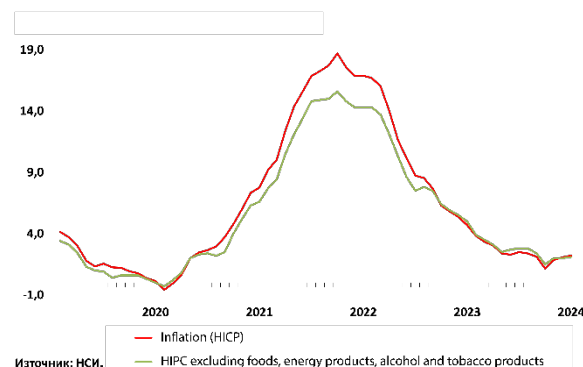
	2020	2021	2022	2023	2024
Total expenses	-1,0	9,9	17,3	16,4	16,0
Total user expenses	-1,3	11,2	18,6	14,6	16,0
Taxes	2,1	6,5	5,7	27,2	19,7
Deposit	31,3	1,6	20,0	4,1	27,6
Repaid debt and loan given	-2,3	1,4	-1,7	39,2	36,7

Note: Data are on an annual basis (%).

Источник: НСИ.

Inflation in 2024 remained in positive territory, with an average annual rate of 2.4%, down from 9.6% the previous year; by December, inflation declined to 2.2%. Base inflation also slowed, reaching an average annual rate of 2.6%, compared to 8.7% in 2023.

Graph 17. Inflation



The highest contributors to cumulative inflation in 2024 were: Tobacco products (+8.3%), services (excluding goods) (+4.9%), unprocessed foods (+3.2%). Utility services rose by 2.4%, while transport prices remained unchanged.

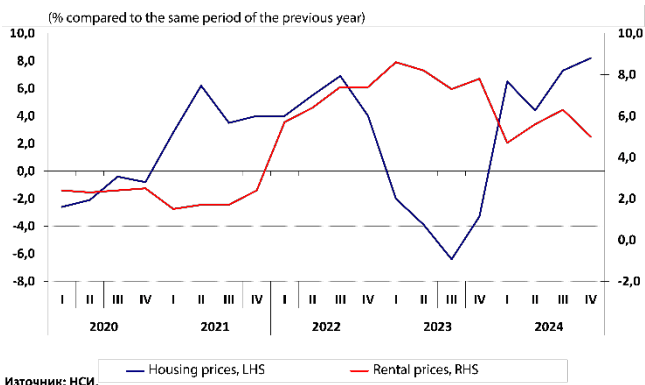
Table 39. Contribution of main groups of goods to inflation

	2020	2021	2022	2023	2024
Inflation (% compared to Dec. of the previous year)	0,0	6,6	14,3	5,0	2,1
Food	2,1	8,9	27	5,5	2,6
Tobacco	0,2	0,0	-0,1	5,7	8,3
Raw goods	-2,4	7,7	24,6	9,9	3,2
Industrial goods	-3,0	9,2	10,9	3,4	-0,9
Services (everything other than goods)	2,1	2,4	12,1	6,2	4,9
Clothing	-3,4	3,2	8,7	3,6	-0,8
Transport	-6,0	16,7	8,9	3,0	0
Utilities	1,0	10,4	17,8	1,7	2,4

Источник: Eurostat

In 2024, housing prices in Bulgaria increased, showing an average annual growth of 6.6%, compared to a decline of -3.9% in 2023. This price increase was driven by household demand and expectations for euro area accession. Rental prices declined, with an average annual growth of 5.4%, down from 8.0% in 2023.

Graph 18. Dynamics of housing prices and rents



2. Overview of the non-bank financial sector in Bulgaria

2.1. Review of risks and main market trends

In 2024, the assets of participants in the non-bank financial sector increased by 15.1%, with positive dynamics across all segments. The largest contribution of 7.3 p.p. came from the assets of pension funds, followed by the growth in assets of non-bank investment firms (3.1 p.p.), the majority of which are client assets; insurance and reinsurance companies contributed 3.0 p.p, while assets under management by management companies and alternative investment fund managers added 1.6 p.p, and special purpose investment companies accounted for 0.1 p.p of the overall growth. As a result of the prevailing upward dynamics, the role of non-bank financial sector companies in the structure of financial intermediation is growing, with the assets of the participants in the sector supervised by the FSC reaching 23.9% of the assets of the financial sector in the country.

As a share of GDP, the assets of the participants of the non-bank financial sector increased in 2024, reaching 28.8% by the end of the year. The depth of financial intermediation for the non-bank financial sector, as measured by stock market capitalization, rises marginally to 8.6% of GDP this year from 8.4% of GDP in 2023.

The assets of non-bank IFs increased by 15.4% in 2024 and at the end of the year reached BGN 11.8 billion. The reason for this dynamic is the increase in the assets of IFs with a full license, which contributed 13.7 p.p., while the assets of non-bank IFs with a partial license contributed 1.7 p.p.

Assets under management by management companies and persons managing alternative investment funds increased in absolute terms by BGN 779.8 million, representing a 20.0% year-on-year growth. At the end of 2024, assets under management amounted to BGN 4.7 billion. Of this

amount, BGN 3.4 billion were assets under management of collective investment schemes and alternative investment funds, and BGN 1.3 billion were client assets under discretionary portfolio management. The amount of assets under management by AIFMs who are not MCs was BGN 339.1 million.

Table 40. Relative structure of the assets of non-bank financial sector participants (% of the assets of the banking and non-banking financial sector in Bulgaria)

Indicators	2020	2021	2022	2023	2024
Non-banking investment firms	11.3	4.6	4.3	4.6	4.7
Collective investment undertakings	1.4	1.8	1.7	1.9	2.0
SPICs	1.1	1.1	1.0	1.0	0.9
(Re)insurance companies	5.7	5.8	5.0	4.9	5.0
SPFs	9.9	11.0	9.8	10.4	10.7
<i>Participants in the non-banking financial sector</i>	29.3	24.3	21.7	22.8	23.4

Notes: *Includes assets of CISs, AIFs, NICs and NIFs, and assets under management of customers under trust management of portfolios.

Source: FSC

The assets of contractual funds and ETFs increased by a total of 15.8% year-on-year, reaching BGN 2.9 billion at the end of 2024.

The net assets of alternative investment funds rose by 24.0% on an annual basis, amounting to BGN 765.1 million at year-end.

In the structure of financial intermediation, the segment of collective investment undertakings accounted for a share of 2.0%, marking a slight increase compared to 2023.

The assets of SPICs grew by 1.9% year-on-year, reaching BGN 2.3 billion at the end of the year. The largest contribution to this growth came from the assets of SPICs investing in real estate and agricultural land (1.5 p.p.), while SPICs investing in receivables contributed 0.4 p.p. to the annual growth of assets in the sector. In relative terms, at the end of 2024, the share of SPICs in the structure of financial intermediation was below 1.0%.

The assets of (re)insurers increased by 13.6% in 2024, compared to 11.7% in 2023, and their

share in the structure of financial intermediation also rose year-on-year, reaching 6.2%. The largest positive contribution of 5.9 p.p. to the change in the assets of the (re)insurance market came from the growth in the assets of non-life insurance companies, while the assets of life insurance companies grew by 15.4%, contributing 3.6 p.p. The assets of the only reinsurance company operating in the country increased by 14.2% year-on-year, contributing 4.1 p.p. to the change in the assets of the insurance market.

In 2024, the balance sheet assets of pension funds grew by 16.1%, compared to 19.6% in 2023. The increase in their asset value was entirely due to the positive investment return on the funds of all supplementary pension insurance funds compared to the previous year. Pension funds rank first among institutional investors in the non-bank financial sector, with their balance sheet assets amounting to BGN 26.9 billion at year-end. Their relative share in the structure of financial intermediation was 10.7% at the end of the year.

Table 41. Market capitalization of the stock exchange and assets of non-banking financial sector participants (% of the GDP)

	2020	2021	2022	2023	2024
Market capitalization of the stock exchange market	23.4	22.0	17.9	8.4	8.6
Non-banking investment firms	16.3	5.9	5.0	5.5	5.8
Collective investment undertakings	2.0	2.4	2.0	2.3	2.5
SPICs	1.5	1.4	1.2	1.2	1.1
(Re)insurance companies	8.2	7.4	5.9	6.0	6.2
SPFs	14.4	14.1	11.5	12.5	13.3
<i>Participants in the non-banking financial sector</i>	<i>42.4</i>	<i>31.1</i>	<i>25.6</i>	<i>27.5</i>	<i>28.8</i>

Notes: *Includes assets of CISs, AIFs, NICs and NIFs, and assets under management of customers under trust management of portfolios.

Source: BSE, FSC, NSI.

The depth of financial intermediation in the non-bank financial sector, measured by the market capitalization of the Bulgarian Stock Exchange as a share of GDP, increased slightly to 8.6%, compared to 8.4% at the end of 2023. The market capitalization of BSE AD rose by 12.7% year-on-year, reaching BGN 17.5 billion at year-end. The market capitalization of the Main Market, which grew to BGN 13.9 billion by the end of 2024, contributed 12.4 p.p. to the reported increase, while the market capitalization of the Alternative Market, which rose to BGN 3.3 billion at year-end, contributed 1.4 p.p. The market capitalization of the growth market BEAM, which shrank to BGN 270.5 million by the end of 2024, limited the overall growth with a contribution of -1.1 p.p.

In 2024, all stock market indices recorded increases. As of 31 December 2024, the main index SOFIX rose by 16.7% compared to its level

at the end of 2023, reaching 892.74 points. The broad index BGBX40 increased by 8.8% year-on-year, reaching 171.82 points. The equally weighted BGTR30 rose by 8.0% over the year to 863.62 points, while the sectoral index BGREIT, which typically deviates from the general trend due to the nature of the companies included, recorded a 12.8% year-on-year increase to 214.66 points.

Expressed as a share of GDP, the assets of non-bank financial sector participants amounted to 28.8%, with the largest share held by the assets of supplementary pension funds (13.3%), followed by the assets of the (re)insurance segment (6.2%) and the assets of non-bank investment firms, which accounted for 5.8% of GDP. Assets under management by MCs/AIFMs amounted to 2.5% of GDP. The share of the balance sheet assets of SPICs was 1.1% of GDP.

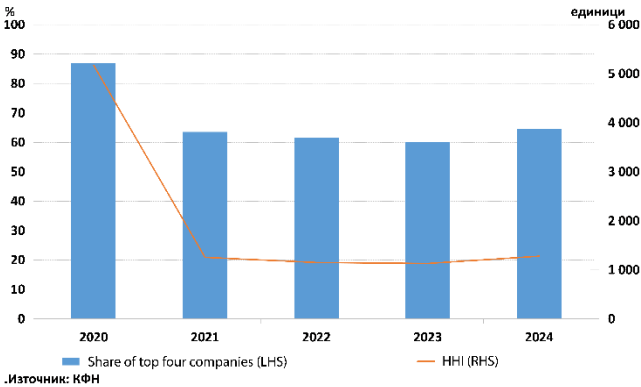
In 2024, the development of the non-bank financial sector maintained the market environment in individual segments. Non-life insurance companies, MCs/AIFMs and SPICs were characterized by strong competition, while a moderately competitive environment was observed in the segments of pension insurance companies and services provided by non-bank investment firms. The life insurance market is

characterized by high market concentration. The overall development dynamics of the market environment during the year was divergent in the different segments and does not lead to a qualitative change in the market competition.

The market environment for non-bank investment firms, measured on the basis of client assets, is characterized by moderate concentration. At the end of 2024, the largest four investment firms held 64.5% of the total amount of all client assets,¹⁴ with the leading IF accounting for a 23.9% share. Among the remaining investment firms, the average share of client assets held was 2.3%.

The Herfindahl-Hirschman Index (HHI)¹⁵ for the market of non-bank investment firms, calculated based on client assets, increased by 149 points in 2024 to 1,279 points, indicating a market with moderate concentration in the segment of services provided by non-bank investment firms.

Chart 55. Concentration on the market of non-banking IFs

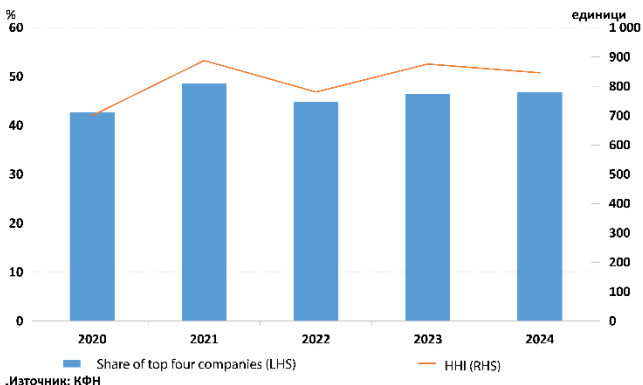


¹⁴The IFs include Elana Trading AD, Euro-Finance AD, Sofia International Securities AD, and First Financial Brokerage House EOOD.

¹⁵The Herfindahl-Hirschman Index (HHI) is calculated as the sum of the squares of the market share of each market participant, with its value varying between 0 and 10,000. For a value of less than 1000 units, the market is defined as highly competitive, between 1000 and 1800 units – as

In 2024, the market concentration of services offered by management companies declined marginally from the previous year. The share of the four management companies¹⁶ with the largest relative share in assets under management increased to 46.8%. The value of the Herfindahl-Hirschman Index (HHI) of the management company market, calculated on the basis of assets under management, decreased by 30 units to a level of 846 units, in the direction of decreasing concentration in the sector. The market segment continues to be characterized as highly competitive.

Chart 56. Concentration on the market of MCs

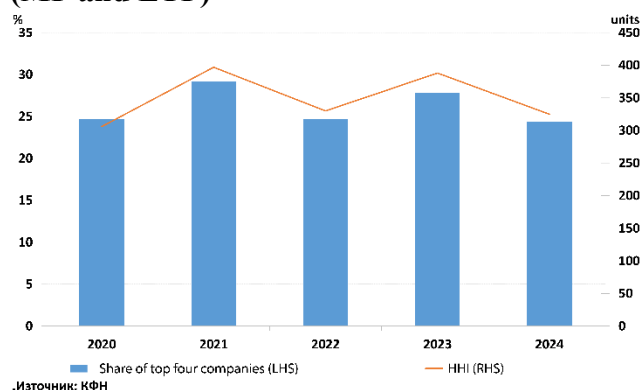


As of the end of 2024, the market for collective investment schemes continued to be highly competitive. A decrease in concentration was observed in the segment, both in terms of the Herfindahl-Hirschman Index (HHI) and the share of the top four funds in the total amount of assets. The Herfindahl-Hirschman Index (HHI)

moderately competitive environment, and more than 1800 units – the market is characterized by strong concentration.
¹⁶KBC Asset Management NV, MC Compass Invest AD, MC Expat Asset Management EAD and MC DSK Asset Management AD.

decreased by 63 points, reaching 325 points at year-end, compared to 388 points at the end of 2023. The share of the top four funds¹⁷, calculated based on assets under management, declined to 24.3% at year-end, compared to 27.8% at the end of 2023

Chart 57. Concentration on the market of CISS (MF and ETF)

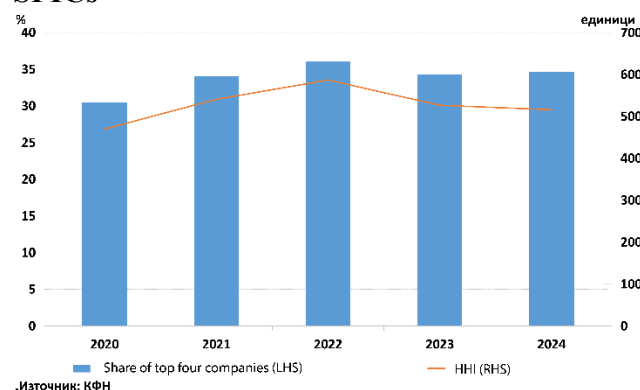


The segment of special purpose investment companies remained highly competitive at a Herfindal-Hirschman index (HHI) of 516 units, which was 11 units under the value of the 2023 indicator. Similar dynamics was observed in the change in the share of the first four companies¹⁸, which increased marginally to 34.7% from 34.3% at the end of 2023, as the market environment for special purpose investment companies remaining highly competitive.

¹⁷MF “UBB Platinum Bulgaria,” sub-fund “UBB ExpertEase Defensive Balanced (EUR),” MF “Advance New Europe Opportunities,” and MF “Navigator Plus.”

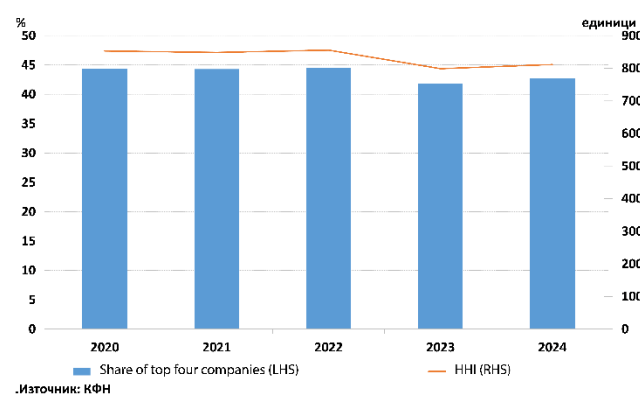
¹⁸ Advance Terrafund SPIC, Real Estate Fund Bulgaria SPIC, Fairplay Properties SPIC and Capital Management SPIC.

Chart 58. Concentration on the market of SPICs



The market of non-life insurance was determined as highly competitive, with the HHI index value increasing by 13 units in 2024 compared to the previous year and by the end of December 2024 reached 812 units, which is an indicator for increased concentration. The market share of top four non-life insurance companies, measured in terms of assets,¹⁹ grew to 42.7% at the end of 2024 compared to 41.8% at the end of 2023.

Chart 199. Concentration on the non-life insurance market

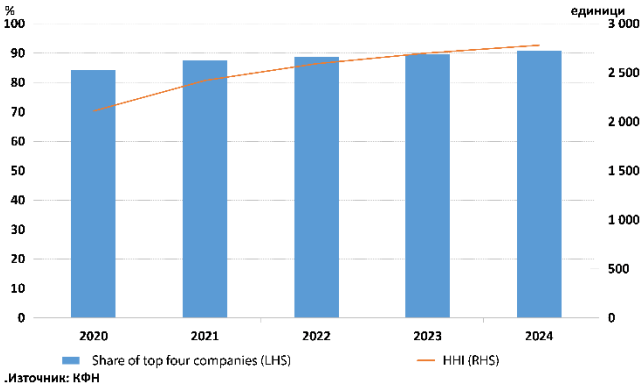


In 2024, the life insurance services market continued to be considered highly concentrated

¹⁹These were IC Euroins AD, IC Bulstrad Vienna Insurance Group AD, DZI - Non-life Insurance EAD and IC DallBogg: Life and Health EAD.

competitive environment that is deepening. At the end of 2024, the curve of the Herfindahl-Hirschman index (HHI) marks 2,780 units, which was 78 units difference compared to the previous year in the direction of increasing concentration in the sector. The combined market share of the four life insurance companies with the largest amount of assets²⁰ reached a historically highest level and at the end of the fourth quarter of 2024 reached a level of 90.8%.

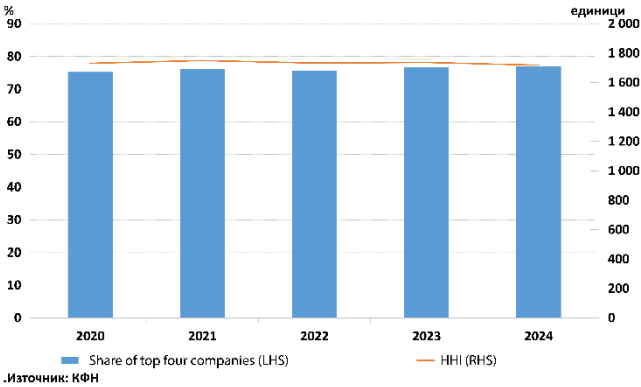
Chart 200. Concentration on the life insurance market



As of the end of 2024, the pension insurance services market remained moderately competitive, with minimal changes in both concentration indicators. The HHI calculated based on the balance sheet assets of pension funds, decreased by 19 points to 1,718 points. The share of the top four companies²¹ in the pension insurance services market increased slightly to 76.90 points, compared to 76.71 points at the end of the previous year.

²⁰ DZI-Life Insurance EAD, IC Allianz Bulgaria-Life AD, Grave Bulgaria Life Insurance EAD and IC Bulstrad Vienna Insurance Group AD.

Chart 61. Concentration of the social insurance market



²¹ PIC Doverie AD, PIC Allianz Bulgaria AD, PIC DSK – Rodina AD and PIC UBB AD.

2.2. Analysis of the participants on the capital market

In 2024, the market capitalization of Bulgarian Stock Exchange AD increased by 12.7%, reaching BGN 17.5 billion at year-end, which represents 8.6% of GDP (compared to 8.4% in 2023). The “Financial and Insurance Activities” sector ranked first in terms of turnover during the year, with BGN 181.9 million. The assets of non-bank investment firms headquartered in the Republic of Bulgaria increased by 15.4% year-on-year, reaching BGN 11.8 billion at the end of 2024. In 2024, the assets of special purpose investment companies rose by 1.9% year-on-year, reaching BGN 2.3 billion. The assets of collective investment schemes increased by 15.8% compared to the previous year, with their balance sheet value reaching BGN 2.9 billion at the end of 2024. Total assets under management by alternative investment fund managers, both companies and individuals, grew by 20.0%, reaching BGN 3.9 billion at year-end.

2.2.1. Investment firms²²

By the end of 2024, the number of investment firms operating on the territory of the Republic of Bulgaria is 58, of which 19 are banks and 39 are non-bank investment firms. The number of non-bank investment firms from the European Union operating in the territory of the country through a branch is 4, while 1 non-bank investment firm from the European Union operates through a tied agent established in Bulgaria.

Depending on the authorizations issued, non-bank IFs were divided into three groups: (1) IFs with full license²³, for which the required starting capital is EUR 750,000, (2) IFs with a partial license²⁴, for which the required starting capital is EUR 150,000 and (3) IFs with a small license²⁵,

for which the required starting capital is EUR 75,000. At the end of 2024, 19 IFs with a full license and 15 companies with a partial license were listed in the register of the FSC. In 2024, one license was issued to a company to carry out activity as an investment firm and the license of one non-bank investment firm was revoked at the request of the company.

Chart 62. Dynamics in the number and assets of non-bank IFs

As of the end of 2024, the balance sheet value of the assets²⁶ of non-bank investment firms amounted to BGN 11.8 billion, marking a 15.4% increase compared to the end of 2023. Of this amount, client assets totaled BGN 11.5 billion. Client assets grew by 15.6% year-on-year, with non-bank

²²The analysis covers non-banking investment firms based in the Republic of Bulgaria, unless explicitly stated otherwise.

²³Their license covers the investment activities and services under Art. 6, para. 2, items 3 and 6 of the MFIA.

²⁴ They are not permitted to engage in proprietary trading in financial instruments; underwriting issues of financial instruments and/or offering financial instruments under the conditions of an unconditional and irrevocable commitment to subscribe/acquire the financial instruments for own account; organizing an MTF or organizing an OTF.

²⁵ They may carry out services and activities under Art. 6, para. 2, item 1 and/or item 5 of the MFIA, namely: acceptance and forwarding of orders in relation to one or more financial instruments as well as providing investment advice to a client.

²⁶ The amount of the balance sheet assets included the amount of the contingent assets.

investment firms holding a full license contributing 13.9 p.p., and those with a partial license contributing 1.7 p.p.

At the end of 2024, there were two non-bank investment firms that were non-residents with direct/indirect qualifying holdings by EU entities only. The number of investment firm with direct/indirect foreign participation from the EU and/or third countries was six.

As of the end of 2024, the balance sheet value of the assets of non-bank investment firms holding a full license increased by 20.5% year-on-year to BGN 8.2 billion, compared to BGN 6.8 billion at the end of 2023, while the assets of non-bank investment firms with a partial license rose by 5.0% over the year to BGN 3.5 billion, compared to BGN 3.4 billion at the end of 2023.

Table 42. Assets, capital stock and equity of non-banking IFs

	2020	2021	2022	2023	2024
IFs with a partial licence					
Assets	15 564,0	2 561,2	2 783,9	3 376,6	3 546,2
fixed capital	13,0	13,0	14,3	11,6	13,5
equity	23,6	25,7	26,9	21,3	24,3
IFs with full licence					
Assets	4 175,5	5 683,4	5 676,6	6 828,1	8 227,6
fixed capital	53,1	53,6	53,6	56,8	53,7
equity	119,4	156,3	149,5	146,1	166,1
Total IFs					
Assets	19 739,4	8 244,6	8 460,5	10 204,7	11 773,8
fixed capital	66,1	66,6	67,9	68,4	67,2
equity	143,0	182,0	176,3	167,4	190,4

Note: Data is in BGN million, unless stated otherwise
Source: FSC.

In 2024, the core capital of non-bank investment firms decreased by 1.8% year-on-year, reaching BGN 67.2 million. The equity of investment firms increased by 13.7% year-on-year, reaching BGN 190.4 million. The main driver of the annual growth in equity was the higher financial result reported by non-bank investment firms.

The market value of the trade and investment portfolio of non-bank investment firms at the end of 2024 amounts to BGN 95.1 million. Twelve non-bank investment firms with a market value of BGN 62.0 million have formed a trading portfolio. By the end of the same period 26 investment firms have formed an investment portfolio with a market value of BGN 33.1 million. As of the end of 2024, 11 non-bank investment firms provide trust portfolio management. The market value of the securities provided for trust management was BGN 73.8 million, and the cash at the end of the period was BGN 3.8 million.

In 2024, the number of transactions executed by investment firms (both bank and non-bank) on all markets of BSE AD increased by 13.5% year-on-year, reaching 74.5 thousand transactions²⁷, while the traded lots rose by 114.1% over the same period to 442.9 million lots. The trading activity of exchange members on the markets organized by BSE AD, measured by turnover, increased by 26.0% during the year to BGN 940.0 million. The top four investment firms in terms of trading activity accounted for 61.5% of the total turnover realized on all BSE AD markets during the year.

Table 43. Number of transactions, turnover and volume (lots) of IFs (bank and non-bank) on all BSE markets²⁸

	2020	2021	2022	2023	2024
Number of transactions	61 173	85 991	95 072	65 632	74 467
Turnover (BGN million)	397	814	942	746	940
Volume (million lots)	322	382	234	207	443

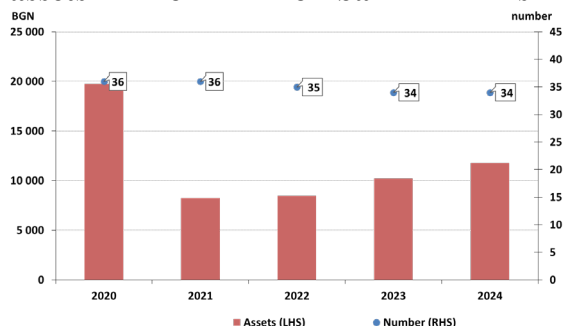
Source: BNB, FSC.

²⁷ Data on the commercial activity of investment firm Tradegate AD Berlin are not included, since it is not supervised by the FSC.

²⁸BSE Main Market, BaSE Alternative Market, BEAM Growth Market, MTF BSE International

2.2.2. Collective investment undertakings

Chart 62. Dynamics in the number and assets of non-bank IFs

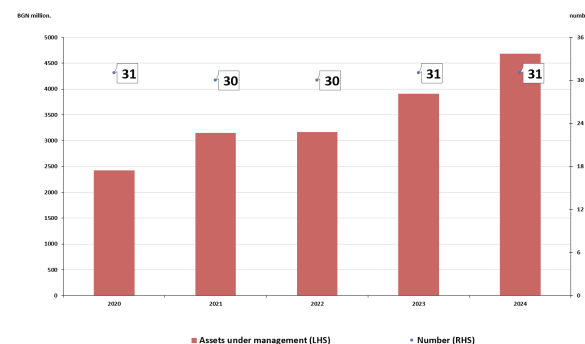


.Source: FSC

As of the end of 2024, the number of MCs is 30, of which 11 are also AIFMs, as well as one branch of a MC.²⁹ The total number of registered AIFMs is 27, 11 of them are also MCs. The undertakings for collective investment is 150 at the end of the year. Of these, 99 are MFs, one of which manages 16 sub-funds; 13 exchange-traded funds (ETF), 38 AIFs, of which 14 are NIFs and 2 exchange-traded NIF.

The assets managed by MCs) /AIFMs increased in absolute terms by BGN 779.8 million and exceeded BGN 4.6 billion³⁰ at year-end, representing a 20.0% year-on-year growth. Of this amount, BGN 1.3 billion were client assets under discretionary portfolio management, and BGN 2.5 billion were assets under management of collective investment schemes (CIS) and alternative investment funds (AIFs).

Chart 63. Dynamics in the number of MCs /AIFMs and assets managed by them

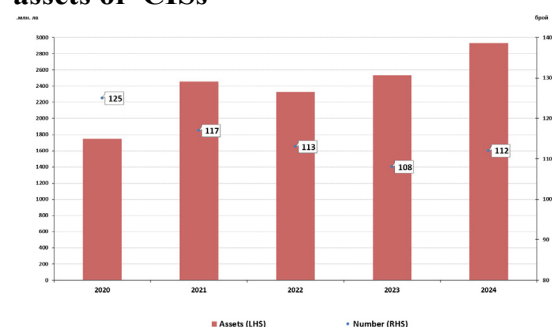


.Source: FSC

As of the end of 2024, 38 AIFs are registered in the FSC registers, of which 2 are exchange-traded NIF, and 14 national investment funds, whose net assets amount to BGN 770.2 million.

CISs are 112, with the size of their balance sheet assets reaching BGN 2,931 billion. (of which net assets are BGN 2,926 billion), or the change of balance sheet assets is 15.8% compared to the previous year.

Chart 64. Dynamics in the number and assets of CISs



.Source: FSC

²⁹Branch of KBC Asset Management NV, Belgium.

³⁰ This amount includes the assets managed by the branch of KBC Asset Management NV, Belgium.

As of the end of 2024, the number of mutual funds of foreign collective investment schemes reached 1986.

The balance sheet value of CIS assets exceeded BGN 2.9 billion at year-end, marking a 15.8% increase. The main contributor to the growth in assets was the balance sheet group “Financial assets and instruments,” which recorded an 18.0% year-on-year increase, reaching BGN 2.8 billion. The balance sheet items “Cash,” “Receivables,” and “Other” declined over the year, limiting the annual growth rate of total assets by a combined -1.3 percentage points.

Table 44. Dynamics of the CISs’ assets

	2020	2021	2022	2023	2024
Cash	171,7	148,8	119,0	79,0	77,1
Time deposits	58,6	36,5	31,1	25,6	10,3
Financial instruments incl.	1 562,6	2 296,3	2 195,8	2 413,4	2 847,3
Shares	774,3	1 429,9	1 410,3	1 734,4	2 081,7
Rights	0,0	0,0	0,0	0,0	0,0
Debt	611,8	603,8	524,0	510,4	580,6
Others	10,6	17,8	35,4	39,5	48,2
Money market instruments	0,0	0,0	0,0	0,0	0,0
CIS units	163,4	241,3	223,8	126,1	132,2
Derivatives	0,3	0,7	0,4	2,3	2,8
Other financial instruments	2,0	2,7	1,9	0,7	1,7
Non-financial assets (receivables)	16,2	8,9	9,1	24,7	4,2
Others	0,0	0,1	4,4	13,8	3,0
TOTAL	1 750,5	2 454,0	2 328,2	2 531,0	2 931,6

Note: Data is in BGN million, unless stated otherwise
Source: FSC.

In 2024, the relative share of the Cash balance sheet item in the total structure of assets continued to decline, reaching 2.6% at the end of the year. An increase was observed in the share of the balance sheet group “Financial assets and instruments,” which rose to 97.2% compared to 95.4% at the end of the previous year. Within this asset group, the balance sheet item “Equities” increased its share to 71.0%, at the expense of a decline in the shares of the items “Debt securities,” “Units of CIS,” and

“Non-financial assets,” a large portion of which are receivables.

Table 45. Relative structure of CIS assets

	2020	2021	2022	2023	2024
Cash	9,8	6,0	5,1	3,1	2,6
Time deposits	3,3	1,5	1,3	1,0	0,4
Financial assets and instruments incl.	89,3	93,6	94,3	95,4	97,2
Shares	44,2	58,3	60,6	68,5	71,0
Rights	0,0	0,0	0,0	0,0	0,0
Debt	35,0	24,6	22,5	20,2	19,8
Others	0,6	0,7	1,5	1,6	1,6
Money market instruments	0,0	0,0	0,0	0,0	0,0
CIS units	9,3	9,8	9,6	5,0	4,5
Derivatives	0,0	0,0	0,0	0,1	0,1
Other financial instruments	0,1	0,1	0,1	0,0	0,1
Non-financial assets (receivables)	0,9	0,4	0,4	1,0	0,1
Others	0,0	0,0	0,2	0,5	0,1
TOTAL	100,0	100,0	100,0	100,0	100,0

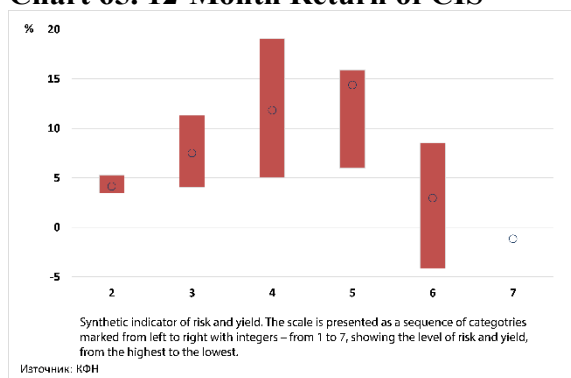
Note: Data is in%, unless stated otherwise
Source: FSC.

Collective investment schemes are the preferred investment alternative in the context of global uncertainty and in the search for higher return by investors. As of the end of 2024, the median return achieved by the funds in the respective risk categories over the past 12 months was positive. The volatility of the returns achieved by individual funds over the previous 12 months, measured by the interquartile range within the corresponding risk category (on a scale from 1 to 7)³¹, varied across a wide spectrum. The highest volatility was observed in funds with a risk profile in category 4, where the difference between the first and third quartile was 14.1 p.p. In category 6, the volatility range of the realized return included both positive and negative values, with the range between the first and third quartile spanning from -4.1% to 8.5%. The realized return by CISs with risk profile 7 is negative for the last twelve months.³²

³¹ According to Regulation 583/2010 / EU, the scale (1 to 7) is a synthetic code for the risk profile of CISs, with the degree of risk increasing in ascending order.

³² There is only one mutual fund in category 7.

Chart 65. 12-Month Return of CIS³³



Synthetic indicator of risk and yield. The scale is presented as a sequence of categories marked from left to right with integers – from 1 to 7, showing the level of risk and yield, from the highest to the lowest.

³³A statistical significance analysis (quartile analysis) has been applied, examining the distribution of return values for individual mutual

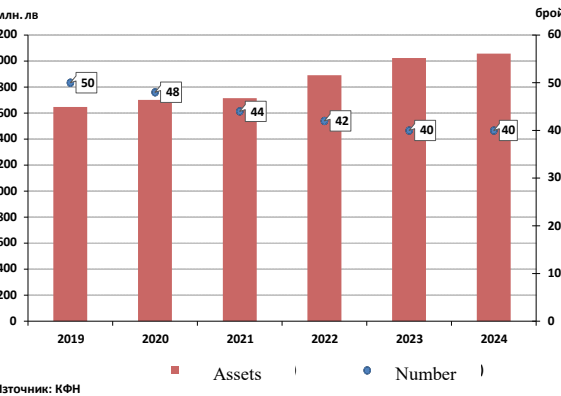
funds within a specific risk category (from 1 to 7) at a given point in time. This analysis allows for the identification of median as well as extreme values.

2.2.3. Special Purpose Investment Companies

At the end of 2024, the total number of licensed SPICs is 49³⁴, of which 40 invest in real estate and agricultural land, and the remaining 9 invest in debt claims. The balance sheet value of the assets of all special purpose investment companies increased by 1.9% compared to the previous year, 2023. The asset value reached BGN 2.3 billion, representing 1.1% of GDP. Both categories of SPICs contributed positively to the overall asset growth: SPICs investing in real estate contributed 1.5 p.p., while SPICs investing in receivables contributed 0.4 percentage points.

The total assets of SPICs investing in real estate and agricultural land increased by 1.6% in 2024, exceeding BGN 2.0 billion at year-end. At the same time, the number of companies in the segment remained unchanged from the previous year, at 40 SPICs.

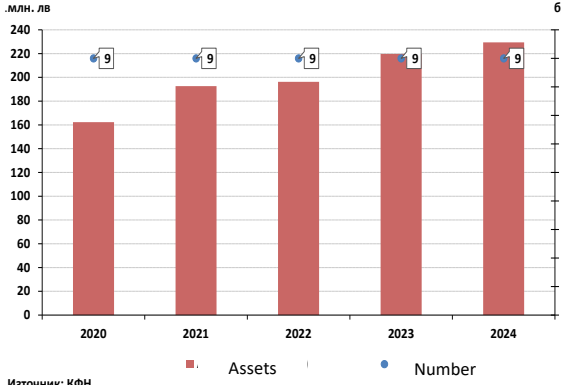
Chart 66. Dynamics in the number and assets of SPICs investing of real estate and agricultural land



³⁴ The number of SPICs presented did not include companies the license of which had been revoked as at 31.12.2024.

In 2024, the value of the balance sheet assets of SPICs investing in receivables increased by 4.4% on an annual basis and reached BGN 229.4 million by the end of the year. The number of companies in the segment remains at 9 SPICs.

Chart 67. Dynamics in the number and assets of SPICs investing in receivables



The balance sheet assets of SPICs investing in real estate and agricultural land increased by BGN 33.3 million in absolute terms, or by 1.6% year-on-year. The main item “Investment property” decreased by 2.6%, with a balance sheet value of BGN 1.4 billion, contributing -1.9 p.p. to the change in total assets. The item “Receivables” declined both in nominal and relative terms, reaching BGN 165.8 million at year-end. The balance sheet value of the group “Financial assets” increased to BGN 115.0 million, contributing 0.4 p.p. to the change in assets. Assets classified as “Other” rose to BGN 285.6 million, compared to BGN 169.6 million at the end of the previous year, contributing 5.7 p.p. to the overall change in assets. The item

“Cash” increased to BGN 70.8 million at year-end.

Table 46. Assets of SPICs investing in real estates and agricultural land

	2020	2021	2022	2023	2024
Investment properties	1 236,6	1 203,3	1 384,1	1 458,2	1 419,9
Financial assets	77,6	52,0	67,0	107,5	115,0
Cash balances	82,2	96,5	86,6	61,6	70,8
Receivables	181,8	174,8	224,4	226,9	165,8
Others	123,4	187,9	128,5	169,6	285,6
TOTAL	1 701,6	1 714,5	1 890,5	2 023,7	2 057,0

Note: Data is in BGN million, unless stated otherwise

Source: FSC.

In 2024, the relative structure of the assets of SPICs investing in real estate and agricultural land changed compared to the previous reporting period. The relative share of investment property declined to 69.0% at the end of 2024, compared to 72.1% at the end of 2023. An opposite trend was observed in the share of assets classified as “Other,” which increased to 13.9% of the total asset structure. Receivables decreased to 8.1%, down from 11.2% at the end of the previous year. The shares of the balance sheet items “Financial assets” and “Cash” increased slightly to 5.6% and 3.4%, respectively, in the relative asset structure.

Table 47. Relative structure of the assets of SPICs, investing in real estates and agricultural land

	2020	2021	2022	2023	2024
Investment properties	72,7	70,2	73,2	72,1	69,0
Financial assets	4,5	3,0	3,5	5,3	5,6
Cash balances	4,8	5,6	4,6	3,0	3,4
Receivables	10,7	10,2	11,9	11,2	8,1
Others	7,3	11,0	6,8	8,4	13,9
TOTAL	100,0	100,0	100,0	100,0	100,0

Note: Data is in%, unless stated otherwise

Source: FSC.

The assets of SPICs investing in debt claims increased by 4.4% in 2024, reaching BGN 229.4 million at the end of the year. The balance sheet value of the main item Receivables (up to 1 year) decreased to BGN 126.8 million, compared to BGN 146.8 million at the end of the previous year. The balance sheet value of the Receivables (over 1 year) item increased

during the period, reaching BGN 48.5 million. The decrease in financial assets had a limiting contribution to the change in assets of the companies from the segment, their book value dropping to 52.7million at the end of the year..

Table 48. Assets of SPICs investing in receivables

	2020	2021	2022	2023	2024
Financial assets	12,4	74,4	75,0	54,4	52,7
Cash balances	2,2	3,8	1,5	1,0	1,4
Receivables (up to 1 year)	134,5	106,8	113,2	146,8	126,6
Receivables (Over 1 year)	12,7	7,3	6,2	12,7	48,5
Others	0,5	0,4	0,3	4,8	0,2
TOTAL	162,3	192,7	196,2	219,7	229,4

Note: Data is in BGN million, unless stated otherwise

Source: FSC.

In 2024, the relative asset structure of SPICs investing in receivables changed compared to the previous year, reflecting a decline in the share of receivables with maturity up to 1 year to 55.2%, in favour of an increase in the share of receivables with maturity over 1 year to 21.1%.

Table 49. Relative asset structure of SPICs investing in debt claims *

	2020	2021	2022	2023	2024
Financial assets	7,6	38,6	38,2	24,8	23,0
Cash balances	1,4	2,0	0,8	0,5	0,6
Receivables (up to 1 year)	82,9	55,4	57,7	66,8	55,2
Receivables (Over 1 year)	7,8	3,8	3,1	5,8	21,1
Others	0,3	0,2	0,2	2,2	0,1
TOTAL	100,0	100,0	100,0	100,0	100,0

Note: Data is in%, unless stated otherwise

Source: FSC.

As of the end of 2024, the core capital of all SPICs amounted to BGN 546.9 million, representing a decline of 1.5% compared to the previous year. The main reason for the reported decline during the year was the deregistration of two companies investing in real estate from the SPIC register. The registered capital of SPICs investing in receivables remained unchanged from the previous year, amounting to BGN 13.1 million. The total equity of companies in the SPIC segment increased over the year, due to the entry of two new companies into the SPIC segment and the positive financial

result achieved by the companies, which amounted to BGN 83.4 million.

Table 50. Registered Capital and Equity of SPICs

	Fixed capital		Equity	
	2023	2024	2023	2024
SPICs investing in real estate, including agricultural land	542,3	533,8	1 300,1	1 361,5
SPICs investing in receivables	13,1	13,1	85,9	90,8
TOTAL for SPICs	555,4	546,9	1 386,0	1 452,3
Change (%)		-1,5		4,8

Note: Data is in BGN million, unless stated otherwise

Source: FSC.

From the perspective of shareholder residency, Bulgarian residents continued to hold the highest relative share in SPICs, accounting for 94.7% of the nominal value of shares at year-end. The relative share of the “Equity and holding companies” sector increased to 42.4%, remaining the largest investor group in SPICs as of the end of 2024. Bulgarian households held 24.4% of the share capital of all SPICs, followed by insurance companies and pension funds, whose combined share declined over the year to 14.6%. Financial intermediaries and banking institutions held 9.0% and 4.2%, respectively, of the nominal value of SPIC share capital.

The share in SPICs held by legal and natural persons from the EU decreased to 2.1% compared to 2023.

The share of SPIC shares held by legal and natural persons from third countries increased to 3.2% at year-end.

As of the end of 2024, investors from the United States held no share in the share capital of Bulgarian SPICs.

Table 51. Shareholders structure of SPICs

	2023	2024
Households	25,7	24,4
Banks	4,1	4,2
Public sector	0,1	0,1
Insurance companies and pension funds	15,2	14,6
Financial intermediaries excluding ICs and PFs	9,3	9,0
Joint stock and holding companies	40,0	42,4
Bulgaria	94,4	94,7
EU households	0,8	0,8
EU Legal entities	2,5	1,3
EU	3,3	2,1
Third country households	0,1	0,1
Third country legal entities	2,1	3,2
Third countries	2,2	3,2
US households	0,0	0,0
US Legal entities	0,1	0,0
USA	0,1	0,0
TOTAL	100,0	100,0

Note: Data is in%, unless stated otherwise The relative shareholding of the shareholder groups has been calculated based on the nominal value of the shares.

Source: CD, FSC

2.2.4. Public companies and bond issuers

The number of public companies and issuers remained unchanged at 234 as of the end of 2024, with an equal number of registrations and delistings during the year (10 each).

In 2024, a total of 18 prospectuses for initial public offerings were approved, including 6 for shares of public companies other than SPICs, 2 for shares of SPICs, 6 for warrant issues, and 5 for bond issues. The total value of the approved issues amounted to BGN 523.0 million (of which BGN 445.1 million was actually raised), representing an 89.4% year-on-year increase. In 2024, a total of 28 bond issues were approved for admission to trading on a regulated market, with the total nominal value of the approved issues amounting to BGN 593.5 million.

The considered takeover bids with a decision not to issue a final ban on publication in 2024 are 3, decreasing by 4 compared to the previous year. There is a significant decrease in turnover, amounting to BGN 10.8 million. (compared to BGN 31.2 million in the previous year). The takeover bids considered without a final ban are a total of 3, of which the shares acquired as a result of the tender offers are worth BGN 8.1 million.

Table 52. Reviewed prospectuses and takeover bids

	2020	2021	2022	2023	2024
Prospectuses for initial public offering (no.)	19	21	6	12	19
Issue amount (million BGN)*	420,6	311,5	161,7	276,2	523,0
Decisions to refuse to issue a final ban to publish a tender offer (no.)	6	13	12	7	3
Turnover**	8,7	762,0	192,8	32,1	10,8

Note: Data is in BGN million, unless stated otherwise * The issue amount is the value of the approved issues as per the prospectuses reviewed for the relevant year. ** Turnover includes the proposed number of units in tender offers that have not been permanently banned or terminated.

Source: FSC.

The market capitalization of the first ten companies on the Main Market drew by BGN 16.7 billion in 2024, and their relative share represents 42.6% of the total market capitalization of the BSE AD. On the first position in terms of market capitalization is Tchaikapharma High Quality Medicines AD; the company increases its market capitalization by 9.5% compared to the previous year, as the company has a 9.5% relative share of the total market capitalization on the BFB AD. Shelly Group AD moves up to second place as the market capitalization of the company increases by 39.9% and has a 6.8% relative share of the total market capitalization. Speedy AD had the highest reported annual growth in market capitalization, which increased by 50.0%, moving the company to third position in the ranking of the top ten public companies. Despite the reported growth of 4.9% in the market capitalization of Sopharma AD, the company drops from second to fourth position, with a relative share of 5.9% of the total market capitalization of the stock exchange. The market capitalization of First Investment Bank AD increased by 47.9% during the year, and the company took fifth place in the ranking. Eurohold Bulgaria AD retains its sixth place, reporting growth of the company's market capitalization by 17.1%

during the year. In 2024, the market capitalization of M+S Hydraulics AD recorded a decline by 5.7% and the company moved from fifth to seventh place. In the ranking of the leading companies on BSE AD, Velgraf Asset Management AD is in eighth place, with market capitalization that grew by 3.9% during the year. Holding Varna AD reports a growth in market capitalization by 5.9% and the the company up down one position to ninth place. The tenth place belongs to Telematik interactive Bulgaria AD with market capitalization that grew by 54.8% year-on-year. The difference between the first and the last public company by market capitalization is BGN 1.4 billion.

Table 53. Top 10 public companies by market capitalization on the main market

Tchaikapharma High Quality Medicines AD	1 509,6	Tchaikapharma High Quality Medicines AD	1 652,4
Sopharma AD	987,2	Shelly Group EAD	1 189,8
Shelly Group EAD	850,2	Speedy AD	1 097,0
Speedy AD	731,4	Sopharma AD	1 035,2
M+S Hydraulics AD	453,6	First Investment Bank AD	644,0
Eurohold Bulgaria AD	442,9	Eurohold Bulgaria AD	518,4
First Investment Bank AD	435,3	M+S Hydraulics AD	382,6
Gradus AD	365,4	Velgraf Asset Management AD	332,5
Velgraf Asset Management AD	320,1	Holding Varna AD	300,9
Holding Varna AD	284,1	Telematik interactive Bulgaria AD	292,9
	6 379,7		7 445,8

Note: Data is in BGN million, unless stated otherwise
Source: BSE.

In the trading structure of the top ten leading sectors on BSE AD for 2024, the “Financial and Insurance Activities” sector ranked first, with a turnover of BGN 181.9 million and a relative share of 18.7% of total turnover. It was followed by the “Real Estate Activities” sector, which recorded BGN 77.0 million in turnover and a 7.9% relative share. The Manufacturing sector generated a turnover of BGN 49.6 million, accounting for a 5.1% relative share. The “Professional and Research Activities” sector posted an annual turnover of BGN 23.1 million and held a 2.4% share in the BSE AD trading structure.

Table 54. Trade structure by Top 10 sectors on BSE in 2024

Sector	Transactions (thousands)	Volume (million lots)	Turnover (BGN million)
Financial and insurance activities	29,7	68,6	181,9
Real estate transactions	1,4	20,2	77,0
Manufacturing	12,3	8,2	49,6
Professional activities and research	8,5	12,9	23,1
Production and distribution of heat, energy and power	0,1	2,5	10,9
Creation and Distribution of Information and Creative Products, Telecommunications	2,7	1,5	9,7
Culture, sport and entertainment	1,7	0,5	8,2
Trade, repair of motor vehicles and motorcycles	2,9	2,8	4,4
Transport, storage and postal services	0,4	0,2	2,8
hospitality and restaurant services	0,3	0,1	1,0

Source: BSE.

The shareholder structure of public companies remains the same compared to the previous year. At the end of 2024, Bulgarian residents held 90.9% of the share capital of public companies, based on the nominal value of issued equity instruments. Households and legal entities that are EU residents held a 5.3% share. The share of households and legal entities from third countries increased to 2.7% at year-end, while that of natural and legal persons from the United States was 1.1%.

The internal structure of the shares of the Bulgarian investors in the share capital of public companies changed compared to the previous year. The main Bulgarian shareholder are joint-stock and holding companies with a share of 44.4% compared to 48.7% at the end of the previous year. Households increased their relative share to 23.7%, followed by insurance companies and pension funds with a share of 10.7%. The share of banks as an institutional investor in public companies decreased to 5.7% by the end of 2024.

Table 55. Shareholders structure of PCs

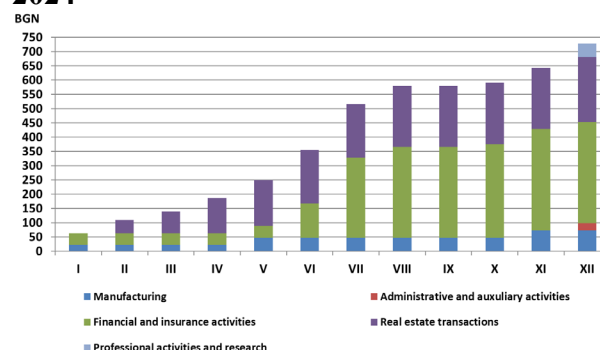
	2023	2024
Households	18,9	23,7
Banks	6,3	5,7
Public sector	0,2	0,3
Insurance companies and pension funds	11,0	10,7
Financial intermediaries excluding ICs and PFs	6,5	6,1
Joint stock and holding companies	48,7	44,4
Bulgaria	91,6	90,9
EU households	0,4	0,3
EU Legal entities	5,6	5,0
EU	6,0	5,3
Third country households	0,1	0,3
Third country legal entities	1,1	2,4
Third countries	1,2	2,7
US households	0,0	0,0
US Legal entities	1,2	1,1
USA	1,2	1,1
TOTAL	100,0	100,0

Note: Data is in %, unless stated otherwise The relative shareholding of the shareholder groups has been calculated based on the nominal value of the shares.

Source: CD, FSC

In 2024, 33 issues of corporate bonds with a nominal value of BGN 727.9 million were listed for trading on a regulated market. Of them 14 issues with a nominal value of BGN 354.9 million were issued by the Financial and Insurance Activities sector, which accounts for 74.7% of the total corporate bond debt traded on the BSE. Thirteen issues with a nominal value of BGN 228.9million were issued by companies from the Real Estate Operations industry. Three bond issues from the Manufacturing sector with a nominal value of BGN 73.0 million, two issues with a nominal value of BGN 46 million from the “Professional, Scientific and Technical Activities” sector, and one issue from the “Administrative and Support Service Activities” sector with a nominal value of BGN 25.0 million.

Chart 68. Amount of cumulative bonds registered for trading on the BSE in 2024



Source: BSE.

2.2.5. Trading venues

In 2024, the total market capitalization of the markets organized by Bulgarian Stock Exchange AD increased by 12.7% year-on-year, reaching BGN 17.5 billion at year-end. The capitalization of the BSE Main Market rose by 16.0% year-on-year, reaching BGN 13.9 billion, while the capitalization of the BaSE Alternative Market grew by 7.0% year-on-year to BGN 3.3 billion at year-end. The market capitalization of the BEAM Growth Market (for small and medium-sized enterprises), where 21 equity issues are traded, amounted to BGN 270.5 million, representing a decline of 38.0%. The capitalization dynamics across the segments of the Main Market were mixed. The capitalization of the “Premium” equity segment declined by 15.7%, reaching BGN 2.6 billion at year-end. The contribution of this segment to the change of the total market capitalization of BSE AD is -3.1 p.p. The market capitalization of the “Standard” equity segment increased to BGN 8.9 billion, registering a 14.3% rise and This segment contributes 7.2 p.p. to the total growth across the three markets. The market capitalization of the segment for special purpose investment companies on the Main Market recorded a 9.0% annual increase, reaching BGN 1.3 billion. The capitalization of the “Equities” segment on the Alternative Market rose to BGN 2.9 billion at the end of the reporting period. Meanwhile, the capitalization of the SPICs segment on the Alternative Market declined by 6.9%, reaching BGN 387.6 million at the end of 2024.

Table 56. Market capitalization

Market or segment	2020	2021	2022	2023	2024
EuroBridge Market segment* (Main Market)					1 189,8
Premium equities segment (Main Market)	1 329,4	1 534,7	1 600,7	3 083,1	2 598,1
Standard equities segment (Main Market)	6 672,0	9 025,6	8 138,4	7 745,9	8 854,4
SPIC segment (Main Market)	783,3	1 045,0	1 144,8	1 191,2	1 298,1
Equities segment (Alternative Market)	19 041,7	18 562,3	18 622,7	2 628,1	2 870,9
SPIC segment (Alternative Market)	528,1	335,0	339,2	416,2	387,6
BEAM growth market		278,7	330,5	436,4	270,5
TOTAL	28 354,5	30 781,3	30 176,3	15 501,0	17 469,4

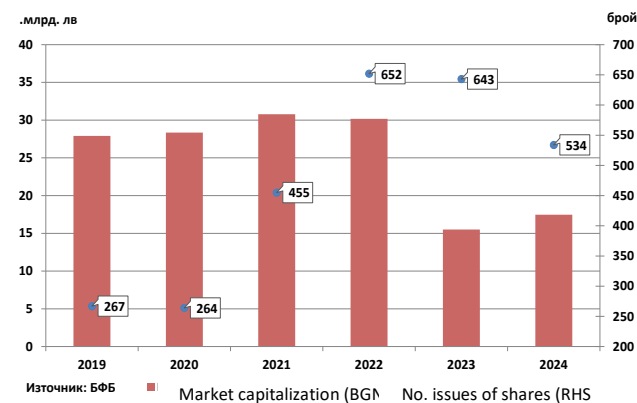
Note: Market capitalisation is as at the end of the relevant year.

*Trading in shares on the new EuroBridge Market Segment commenced on 18.07.2024.

Source: BSE.

The number of issues of financial instruments admitted to trading on the markets organized by the BSE in 2024 decreased net by 86 issues and by the end of the year their number was 693.

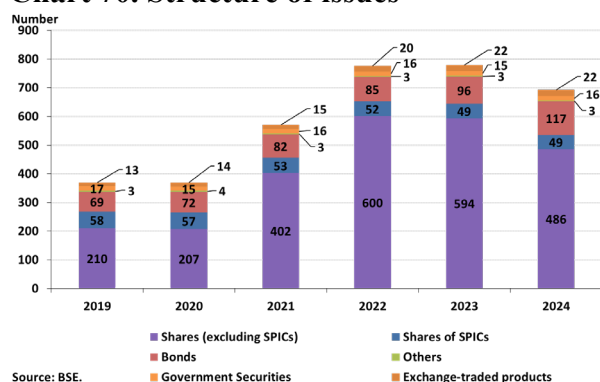
Chart 69. Market capitalization and number of share issues



On the stock market (without SPICs) the number of share issues decreased to 486 in 2024 compared to 594 in 2020. In the segment of special purpose investment companies, the number of issues remains unchanged compared to the previous year and at the end of 2024 their number is 49. The issues of bonds registered on BSE AD increased by 21 in 2024 and by the end of the year their number reached 117. The issues of government securities traded on the segment of government securities trading on the Main market are 16 - a net increase of one compared to the previous year. In the segment for exchange-traded products, 22 issues of funds are traded. The issues of other financial instruments, which include issues

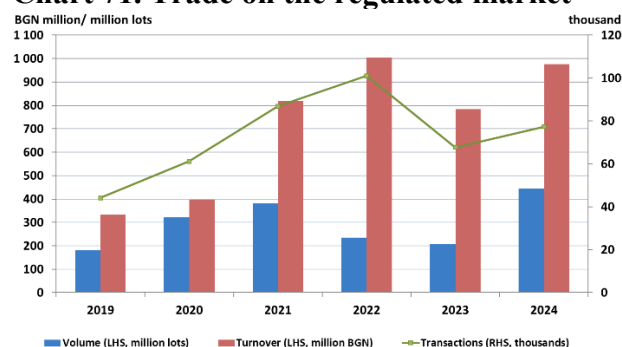
admitted to trading in the Compensatory Instruments Segment, are a total of three.

Chart 70. Structure of issues



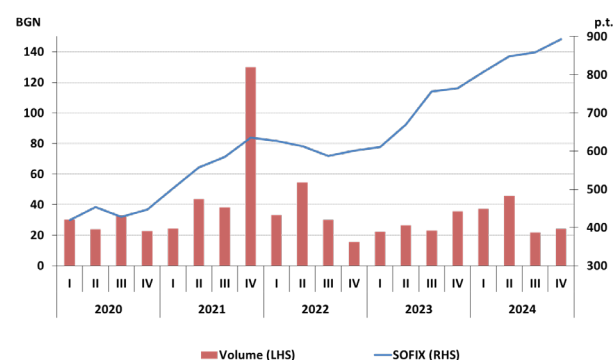
In 2024, the number of transactions on the markets organized by BSE AD increased to 77,350, compared to 67,641 in 2023, representing a 14.4% year-on-year rise. The total number of lots transferred in 2024 reached 443.5 million, marking an increase of 113.9% compared to the previous year. Trading activity, measured by realized turnover, ended the year with a 24.4% increase to BGN 975.2 million, up from BGN 784.2 million in 2023. The average daily turnover in 2024 was BGN 3.9 million, representing a 23.8% increase year-on-year. The largest contribution of 22.3 p.p. came from the bond trading segment on the BSE Main Market, followed by the exchange-traded products segment with 9.9 p.p. The remaining segments have a minimal or growth-limiting contribution to the change of BSE AD's turnover.

Chart 71. Trade on the regulated market



In 2024, all indices of the BSE AD grew, with the main stock index SOFIX recording a 16.7% increase and reaching 892.74 points at the end of the year. The market capitalization of the companies included in the index grew to BGN 4.76 billion, which is a decrease of -2.6% year-on-year.

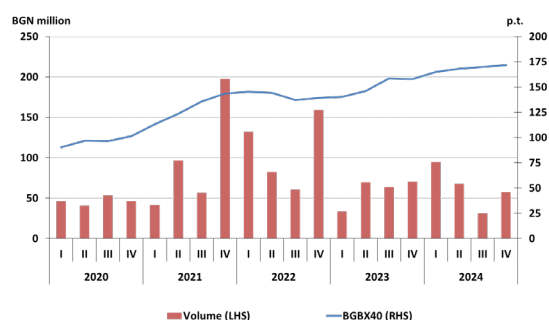
Chart 72. SOFIX market index



Note: The value of indices is the last value for the respective period.

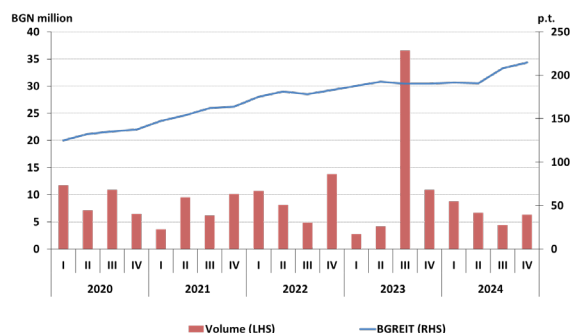
In 2024, the broad stock index BGBX40 reported a growth of 8.8%, ending the year at 171.82 points. The market capitalization of the companies included in the index increased to BGN 8.9 billion and the annual turnover dropped to BGN 57.3 million from BGN 70.3 million in 2023.

Chart 73. BGBX40 market index



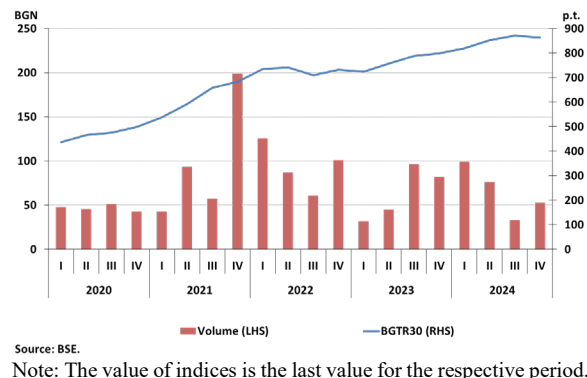
The BGREIT sector index accelerated its year-on-year growth rate. In 2024, it reported an increase of 12.8%, ending the year at 214.66 points. Its sectoral profiling and scale lead to a limited share of the total market capitalization by the end of 2024, due to which its dynamics is not fully indicative of the general trends and dynamics of the SPIC segment. The market capitalization of the companies included in the index increases to BGN 822.2 million by the end of 2024.

Chart 74. BGREIT market index



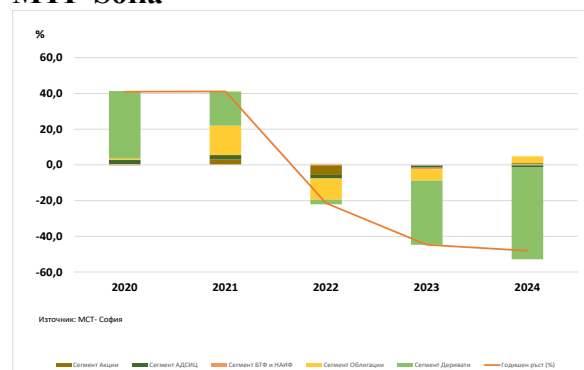
The weighted index BGTR30 increased by 8.0% year-on-year and by the end of 2024 it reached 863.62 points. The market capitalization of the companies included in the index grew to BGN 7.3 billion, with decrease in turnover year-on-year.

Chart 75. BGTR30 market index



In 2024, the turnover of multilateral trading facility - Sofia (MTF) marked a decline of -48.1%, and instruments worth BGN 155.1 million were traded. The largest contribution to this decline (-51.4 p.p.) came from the “Derivatives” segment, which recorded a turnover of BGN 73.0 million, compared to BGN 226.0 million in 2023. It was followed by the “SPICs” segment, which posted a turnover of BGN 9.0 million, down from BGN 13.4 million in the previous year. The turnover of the “Bonds” and “Equities” segments increased by 214.4% and 5.5%, respectively, reaching BGN 16.5 million and BGN 57.0 million. Their combined contribution to offsetting the decline in total turnover was 4.8 percentage points.

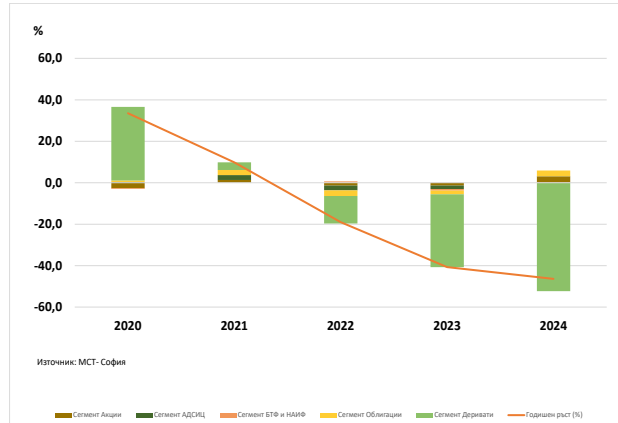
Chart 76. Dynamics of the turnover of MTF-Sofia



In 2024, the number of transactions decreased by -46.4% year-on-year, reaching

699 transactions. The main contributor to this decline was the “Derivatives” segment, with a contribution of -35.1 p.p., where 456 transactions were executed during the year compared to 1,137 in the previous year.

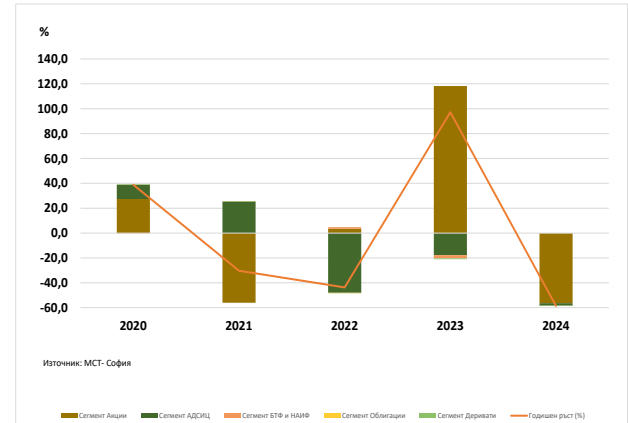
Chart 77. Number of trades on MTF-Sofia



In 2024, a total of 12.0 million financial instruments were traded, down from 28.9 million in 2023, representing a 58.7% decrease. The main contributor to this decline

was the “Equities” segment, where 9.5 million instruments were traded during the year, contributing -56.3 p.p. to the annual decrease. The contribution of all other trading segments to the overall decline in the number of traded financial instruments was a combined -2.3 p.p.

Chart 78. Dynamics of the traded number of financial instruments MTF-Sofia



2.2.6. Central securities depository

As of the end of 2024, the total value of the assets of Central Securities Depository AD amounted to BGN 10.3 million, compared to BGN 9.4 million at the end of the previous year.

In 2024, the total number of executed transactions increased by 14.3%, reaching 78,256 transfers, of which 98.8% were executed on-exchange. The main contributor to the annual growth rate was on-exchange transactions, which increased from 67,641 in 2023 to 77,350 in 2024, contributing 14.2 p.p. The number of transferred securities rose by 10.1% year-on-year, from 203.7 million to 224.2 million. Transactions involving compensatory instruments recorded a 68.8% increase year-on-year – from 426 in 2023 to 719 in 2024. Registered payments with compensatory instruments to government institutions increased by 56.4% year-on-year to 61 transactions. Inheritance transfers declined to 80 in 2024. The number of issued duplicates of depository receipts rose from 1,660 in 2023 to 2,314 in 2024. During the year, transactions in rights increased from 67 in 2023 to 1,809 in 2024, while the number of transferred rights rose from 8.6 million to 197.8 million.

In 2024, through the system of Central Depository AD, dividends were paid to 70 companies worth BGN 182 million. and 407 payments of interest and principal on bond issues were made with a total amount of BGN 327 million. During the reporting period, 135 companies registered new issues of dematerialized financial instruments (95 companies for 2023), of which 45 issues of shares, 62 issues of bonds, 17 issues of rights and 11 issues of units of mutual funds. Applications for change in the capital were submitted by 111 companies. Applications for a change in the capital with the issuance of new shares were submitted by 81 companies, of which 17 issues of rights. Capital increase by changing the nominal value of the shares was registered by 9 companies. The number of applications to obtain extracts from the shareholders' books increased from 3,281 in 2024 to 3,231 in 2023. In 2024, 560 entries were registered in the register of special pledges. Of these, 28 were entries of a special pledge, 316 garnishments and 384 entries on other circumstances. In 2024, 1 entry was made in the register of financial security contracts.

2.2.7. Investor Compensation Fund

The Investor Compensation Fund is part of the capital market's financial safety net and protects, up to a certain limit, the assets of retail investors in financial instruments by providing compensation in the event that the investment firm with which they have a contractual relationship is unable to return the clients' cash and/or financial instruments. The compensation provided by the Fund amounts to 90% of the value of the investor's assets, but not more than BGN 40,000. In 2024, no circumstances requiring compensation arose from the Fund. Accordingly, the Fund's activity during the year was mainly focused on the collection of contributions due from participants within the statutory deadline; management of the Fund's assets; collection and analysis of data on client assets held by scheme participants; assessment of the Fund's exposure; international cooperation; preparation of the Fund's systems for the adoption of the euro, among other activities.

As of 31.12.2024, the Fund covered clients of 34 IFs, 16 bank-investment firms (B-IFs), and 3 management companies (out of a total of 30) that held client assets eligible for compensation by the Fund. Over the past year, one new participant joined the ICF – Global Clearing House OOD as of 19 March 2024, while European Brokerage House OOD voluntarily surrendered its license as of 25.04.2024. Thus, at the end of 2024, the number of investment firms remained unchanged from the previous year.

As of 31.12.2024, the participants in the Fund manage client assets subject to compensation worth BGN 7.72 billion, of which cash assets (CA) are BGN 166 million, and financial instruments (FIs) – BGN 7.55 billion. Compared to the end of 2023, client assets eligible for compensation increased by 16%, or BGN 1.06 billion in absolute terms. B-IFs managed the largest amount of client assets eligible for compensation, although they declared only FIs held for their clients. As at 31.12.2024 B-IFs hold the 74% of compensable client assets, which in absolute value amounts BGN 5.7 billion. IFs hold 24% of the compensable client assets and MCs - 2%.

Non-compensable client assets as of 31.12.2024 are BGN 59.8 billion, of which 99.8% are FIs. Compared to the end of 2023, client assets not subject to compensation reported a growth of 19%, with the increase mainly due to FIs held by IFs and B-IFs, which are respectively BGN 7.7 million and BGN 1.5 billion more year-on-year. The share of compensable client assets in the total amount of all assets (BGN 67.5 billion) managed by the participants is 11%.

In 2024, on average, the Fund's participants hold compensable client FIs worth BGN 7.3 billion per month, up from BGN 5.84 billion in 2023, the highest level since the Fund's inception. The average monthly amount of CAs subject to compensation in 2024 is 138 million BGN, compared to 142 million BGN in 2023.

As of 31.12.2024, the total number of clients who are subject to compensation, for all participants in the Fund (IFs, B-IFs and MCs), is 257,882, or by 43,830 more compared to 31.12.2023, and the estimated exposure of the Fund to the clients of all participants is in the amount of BGN 1.93 billion compared to BGN 1.58 billion as of 31.12.2023.

As of 31 December 2024, the funds collected by the Fund amounted to BGN 23.46 million, of which 99% were invested in government securities, while the remaining portion was held in current accounts, primarily with the BNB. The funds of the Fund are formed from initial and annual contributions of IFs, B-IFs and MCs, as well as from income from investments. The proceeds from insurance from annual and entrance fees of the participants in the Fund in 2024 amount to BGN 1.49million.

At the end of 2024, the Fund's Management Board decided to maintain the annual contribution rates for 2025 at the 2024 levels, namely: 0.02% on protected financial instruments, and 0.20% on cash, calculated on a monthly average basis for 2024. The main reasons for maintaining the contribution rate were: the historically low frequency of compensation payments, the increase in protected client assets, which results in a higher base for calculating annual contributions, and the fact that the Fund's resources would be sufficient to pay compensation to clients of 90% of its participants.

The ICF Management Board is also responsible for managing the Fund for Resolution Investment Firms (FRIF), which was established in 2017 with the primary purpose of financing

the implementation of resolution and restructuring tools for troubled investment firms. The IFRF's resources are mainly formed from annual contributions by a subset of investment firms, with the amount set by the FSC in its capacity as the resolution authority. Total revenue from annual contributions to the IFRF in 2024 amounted to BGN 38.14 thousand. In addition to the annual instalments, a source of funds of IFRF is also the income from investing the funds raised in the IFRF and the interest on overdue receivables.

As of 31.12.2024, IFRF assets amount to BGN 300 thousand, of which 98% are invested in debt instruments in EUR issued by foreign countries that have one of the three highest credit ratings awarded simultaneously by two credit rating agencies. The rest of the funds are held on a current account at the BNB in its capacity as a depository of IFRF funds.

3.3. Insurance market

As of the end of 2024, the total number of licensed (re) insurers based in the Republic of Bulgaria is 37, including 26 non-life insurers, 10 life insurance insurers and 1 reinsurer, whose license entitles the company to operate in reinsurance in general insurance and in life insurance. Thirty-five companies apply Solvency II and are entitled to market access to the European Union and the European Economic Area (Single Market), while the other 2 insurers operate without a single market access.

On the basis of the information from the quarterly reports at the end of the fourth quarter of 2024, which included the data for all insurers with headquarters in the Republic of Bulgaria and right to access the single market:

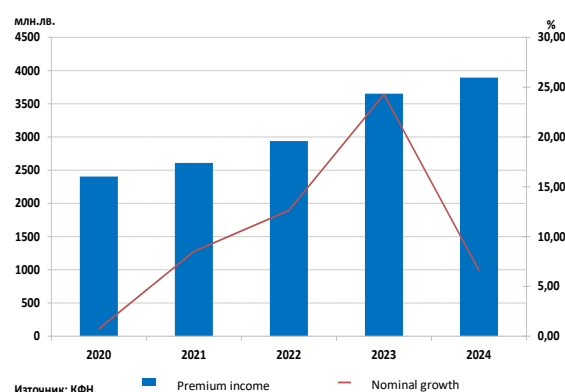
- the gross premium income as at 31.12.2024 amounted to BGN 4,661 million, recording an increase of 7% year-on-year;
- the Bulgarian insurance market (life and non-life insurance) was allocated in a 84% to 16% ratio for the benefit of the premiums written by non-life insurers;
- insurance penetration, calculated on the basis of gross premium income as a percentage of GDP, ³⁵is estimated at 2.30% at the end of 2024 compared to 2.36% at the end of the previous year.

³⁵ According to NSI data, the GDP in 2024 amounted to BGN 202,861 million.

3.3.1. Non-life insurance

The gross premium income realized by non-life insurers, domiciled in the Republic of Bulgaria, with the right of access to the single market, at the end of 2024 amounts to BGN 3,894 million, incl. BGN 3,850 million on direct insurance and BGN 44 million on active reinsurance.

Chart 79. Gross premium income in non-life insurance



In 2024, in the structure of the portfolio of non-life insurance companies, the major share of 71.4% was held by motor insurances, with motor third-party liability insurance accounting for 42.5%, and the share of other motor insurance insurances was 29.9%, respectively.

Table 57. Structure of gross premium income by type of activity for non-life insurance payables in 2024.

	2023	2024*
Medical expense insurance	3%	4%
Income protection insurance	1%	2%
Worker's compensation insurance	1%	1%
Motor third-party liability insurance	42%	42%
Other motor insurance	27%	30%
Marine, aviation and transport insurance	3%	3%
Property insurance against fire and other disasters	12%	11%
General liability insurance	2%	2%
Credit and suretyship insurance	6%	5%
Legal expenses insurance	0%	0%
Assistance	2%	1%
Miscellaneous financial loss	1%	1%
Non-proportional health reinsurance	0%	0%
Non-proportional accident reinsurance	0%	0%
Non-proportional marine, aviation and transport reinsurance	0%	0%
Non-proportional property reinsurance	0%	0%
TOTAL	100%	100%

Note: *Data for 2024 are preliminary
Source: FSC.

The realized premium income on motor third-party liability insurance for 2024 increased by 5% year-on-year (BGN 78 million in absolute terms) and amounted to BGN 1,618 million.

For the period January-December 2024, the recorded premium income under Other motor insurance (Auto Casco) amounted to BGN 1,164 million, accounting for an increase of 16 % year-on-year.

At the end of 2024, property insurances against fire and other disasters in Bulgaria accounted for a share of 11.2% of the gross premium income compared to 12.0 % at the end of 2023. The realized premium income for these insurances amounted to BGN 436 million, a minimum decrease of -0.3% on an annual basis being reported.

Medical expenses insurance, income protection insurance and workers' compensation insurance occupied a 6.1% share in the structure of gross premium income realized by non-life insurers at the end of 2024. Premium income on these insurances in 2024 amounted to BGN 237 million compared to BGN 190 million in

2023, as a result of greater demand during the reporting year.

In 2024, there is a decrease in insurance premiums written by insurers for Assistance Insurance from BGN 83 million at the end of 2023 to BGN 51 million at the end of 2024. A decrease is observed in credit and guarantee insurance, miscellaneous financial losses insurance and legal expenses insurance from BGN 236 million at the end of 2023 to BGN 225 million at the end of 2024.

The claims arising for non-life insurance at the end of 2024 amounted to BGN 1669 million, with an increase of 6.9% year-on-year.

Table 58. Structure of claims incurred by type of activity for non-life insurance payables in 2024

	2023	2024*
Medical expense insurance	5%	6%
Income protection insurance	0%	1%
Worker's compensation insurance	0%	0%
Motor third-party liability insurance	53%	54%
Other motor insurance	26%	30%
Marine, aviation and transport insurance	1%	2%
Property insurance against fire and other disasters	6%	4%
General liability insurance	1%	1%
Credit and suretyship insurance	1%	1%
Legal expenses insurance	0%	0%
Assistance	2%	1%
Miscellaneous financial loss	0%	0%
Non-proportional health reinsurance	0%	0%
Non-proportional accident reinsurance	4%	0%
Non-proportional marine, aviation and transport reinsurance		
	0%	0%
Non-proportional property reinsurance	0%	0%
TOTAL	100%	100%

Note: *Data for 2024 are preliminary
Source: FSC.

Similarly to the structure of gross premium income, in the structure of claims arising by types of activity for non-life insurance payables, the largest relative share of 84% was held by car insurances, followed by medical expenses insurance holding a share of 6%.

An increase of the year-on-year claims in the amount of BGN 108 million is reported. Other insurance related to motor vehicles

("Motor casco") reported an increase of BGN 89 million, and Motor third-party liability insurance increased by BGN 68 million compared to the previous year. Compared to the previous year, claims incurred under "Medical expense insurance" increased by BGN 22 million. For "Credit and suretyship insurance, miscellaneous financial loss, and legal expenses insurance" and "Income protection insurance," claims increased by BGN 4.1 million and BGN 4.3 million, respectively. In contrast, claims incurred under "Non-proportional reinsurance against accident" decreased by BGN - 67 million, under "Property insurance against fire and natural disasters" by BGN -20 million, and under "Assistance" insurance by BGN - 18 million.

The gross loss ratio for the non-life insurance portfolio increased from 0.44 in 2023 to 0.46 at the end of 2024.

Table 59. Gross loss ratio

	2023	2024*
Medical expense insurance	0,74	0,74
Income protection insurance	0,16	0,18
Worker's compensation insurance	0,35	0,30
Motor Third-Party Liability insurance	0,59	0,60
Other motor insurance	0,45	0,46
Marine, aviation and transport insurance	0,16	0,34
Property insurance against fire and other disasters	0,22	0,17
General liability insurance	0,20	0,31
Credit and suretyship insurance	0,07	0,09
Legal expenses insurance	0,06	0,06
Assistance	0,33	0,21
Miscellaneous Financial Loss insurance	0,00	0,02
TOTAL	0,44	0,46

Note: *Data for 2024 are preliminary
Source: FSC.

Incurred costs for non-life insurance companies increase by 21% year-on-year and amount to BGN 1,134 million at the end of 2024. They were 31% of the gross premium income generated by the sector.

Table 60. Gross expense ratio

	2023	2024*
Medical expense insurance	0,30	0,27
Income protection insurance	0,50	0,53
Worker's compensation insurance	0,37	0,40
Motor Third-Party Liability insurance	0,20	0,25
Other motor insurance	0,37	0,36
Marine, aviation and transport insurance	0,23	0,24
Property insurance against fire and other disasters	0,33	0,34
General liability insurance	0,27	0,30
Credit and suretyship insurance	0,22	0,33
Legal expenses insurance	0,35	0,35
Assistance	0,29	0,45
Miscellaneous Financial Loss insurance	0,42	0,53
TOTAL	0,28	0,31

Note: *Data for 2024 are preliminary
Source: FSC.

At the end of 2024, the gross combined ratio is 0.76 and increases compared to the previous year when it was 0.72. The highest gross combined ratio, above 1, is calculated for medical expenses insurance (1.01).

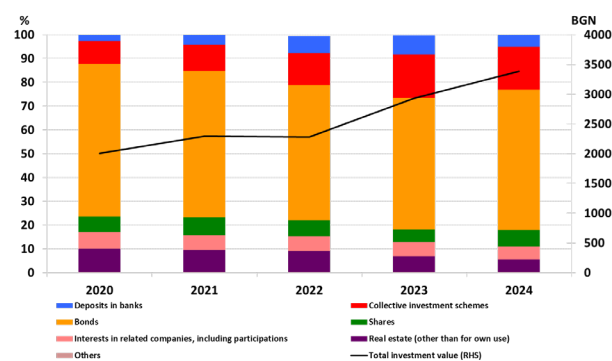
Table 61. Gross combined ratio

	2023	2024*
Medical expense insurance	1,05	1,01
Income protection insurance	0,66	0,72
Worker's compensation insurance	0,72	0,70
Motor Third-Party Liability insurance	0,79	0,85
Other motor insurance	0,82	0,82
Marine, aviation and transport insurance	0,39	0,57
Property insurance against fire and other disasters	0,55	0,50
General liability insurance	0,47	0,61
Credit and suretyship insurance	0,29	0,42
Legal expenses insurance	0,41	0,40
Assistance	0,62	0,66
Miscellaneous Financial Loss insurance	0,42	0,56
TOTAL	0,72	0,76

Note: *Data for 2024 are preliminary
Source: FSC.

At the end of the reporting period, the total assets of non-life insurance companies amounted to BGN 5910 million increasing by 12% on an annual basis. The value of investments of these companies increased by 16% at the end of 2024 and amounted to BGN 3388 million, occupying a share of 57% of total assets. In the structure of the aggregate investment portfolio of non-life insurance companies, bonds occupy a major share (59%), followed by investment in collective investment schemes (18%) and equities (7%).

Chart 80. Structure of investment portfolio of non-life insurance companies



Source: FSC.

The share of investments in real estate (other than for own use) in the total investment portfolio of non-life insurance companies continues to decrease, reaching 6% at the end of 2024. The share of investments in shareholdings in affiliated enterprises remained at 6%. The share of investments in bonds, incl. government bonds increased from 55% at the end of 2023 to 59% at the end of 2024. The share of equity investments also increased in 2024 from 5% to 7%. The relative share of investments in collective investment schemes remains at 18% at the end of 2024, while the relative share of deposits in banks decreases in 2024 from 8% in 2023 to 5% at the end of 2024.

By the end of 2024, the total amount of the liabilities of the non-life insurers amounted to BGN 3904 million and increased by 6% on an annual basis. Technical reserves set aside by non-life insurance companies accounted for 79% of the liabilities of non-life insurers.

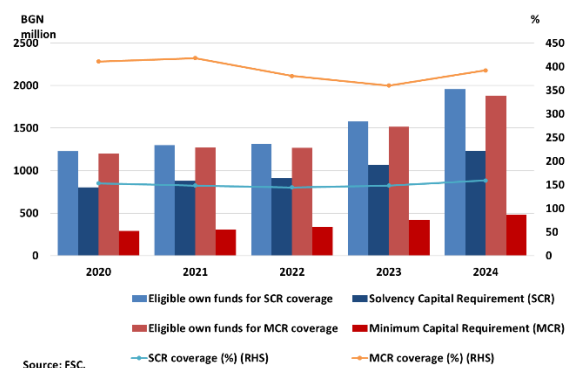
At the end of 2024 the technical reserves set by non-life insurance companies increased by 7% reaching BGN 3088 million.

The excess of the assets over the liabilities of the non-life insurers at the end of 2024 was estimated at BGN 2006 million compared to an excess of BGN 1,609 million at the end of 2023

The eligible own funds to cover the solvency capital requirement of non-life insurers as at 31.12.2024 amounted to BGN 1,957 million and the SCR amounted to BGN 1,230 million. The coverage of the MCR with eligible own funds at the end of 2024 was estimated at 159%.

The eligible own funds to cover the minimum capital requirement of non-life insurers as at 31.12.2024 amounted to BGN 1,880 million, and the MCR amounted to BGN 480 million. Respectively, the coverage of the MCR with eligible own funds at the end of 2024 was estimated at 392%.

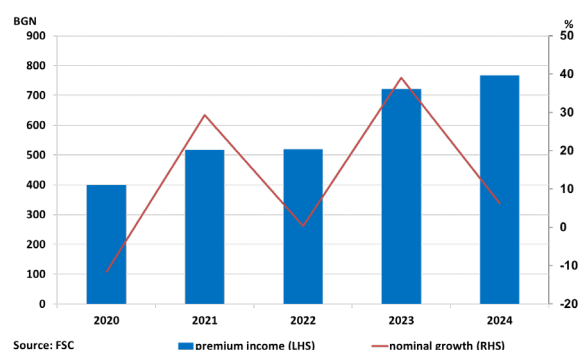
Chart 81. Capital requirements of non-life insurance companies



2.3.2. Life insurance

The gross premium income recorded by life insurers ³⁶ at the end of 2024 reported a growth of 6% year-on-year and at the end of 2024 amounted to BGN 767 million.

Chart 82. Gross premium income of life insurance



Regarding the structure of the portfolio of life insurers by classes of insurance at the end of 2024, the following dynamics is observed: The share of “Index-linked and unit-linked insurance” decreased, although it remained the leading category at 39% (down from 41% in the previous year), as did the share of “With-profit life insurance,” which declined from 17% to 15%. An increase was recorded in the share of “Other life insurance” (from 20% to 22%) and “Medical expense insurance” (from 18% to 19%).

Table 62. Portfolio structure by type of activity for life insurance payables in 2024.

	2023	2024*
Medical expense insurance	18%	19%
Income protection insurance	2%	1%
Worker's compensation insurance	2%	1%
Health insurance	1%	1%
Profit-share insurance	17%	15%
Index-linked and unit-linked life insurance	41%	39%
Other life insurance	20%	22%
Annuities arising from non-life insurance contracts and related to health	0%	0%
Annuities arising from non-life insurance contracts and relating to insurance	0%	0%
Health insurance	0%	0%
Reinsurance in life insurance	0%	0%
TOTAL	100%	100%

Note: *Data for 2024 are preliminary
Source: FSC.

The gross claims incurred in 2024 for life insurance amount to BGN 405 million. On an annual basis, an increase of claims arising during the year by 24% is reported.

In the overall structure of claims incurred, the largest share was held by with-profit life insurance (31%), followed by index-linked and unit-linked insurance (30%) and medical expense insurance (23%).

Table 63. Structure of incurred claims by type of activity for life insurance payables in 2024.

	2023	2024*
Medical expense insurance	24%	23%
Income protection insurance	1%	1%
Worker's compensation insurance	1%	1%
Health insurance	0%	0%
Profit-share insurance	38%	31%
Index-linked and unit-linked life insurance	22%	30%
Other life insurance	14%	14%
Annuities arising from non-life insurance contracts and related to health	0%	0%
Annuities arising from non-life insurance contracts and relating to insurance	0%	0%
Health insurance	0%	0%
Reinsurance in life insurance	0%	0%
TOTAL	100%	100%

Note: *Data for 2024 are preliminary
Source: FSC.

The total amount of the assets in the life insurance sector increased by 15% year-on-year and at the end of 2024 amounted to BGN 2996 million.

The value of the investments of the life insurers (including the value of the contractual investments linked to an index and with investment fund shares) was

³⁶ It also includes income from non-life medical expenses insurance income protection insurance

and workers' compensation insurance, recorded by life insurers.

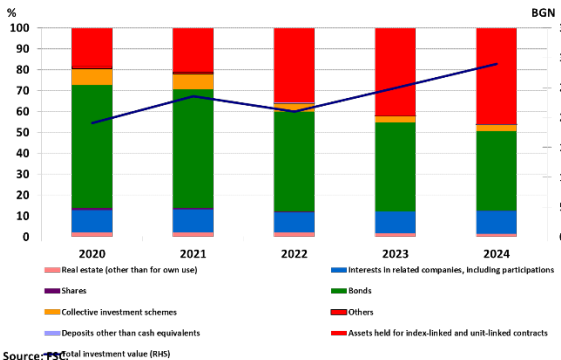
BGN 2990 million at the end of 2024, representing 97% of the total assets in the sector. Their value increases by 16% year-on-year.

A major share in the value of life insurers' investments at the end of 2024 is occupied by the value of bonds (38%), the relative share of which decreased by 4 p.p.. compared to the previous year.

The relative share of shareholdings in related companies, including participations, increases from 10% to 11%, while the share of real estate (other than for own use) remains at 2%. The relative share of investments in collective investment schemes also remains at 3%. In 2024, there is an increase of BGN 2 million on an annual basis in the value of deposits other than cash equivalents, whose relative share remains at 0.1%.

The value of the assets held for index-linked and unit-linked contracts increased by 27% year-on-year reaching BGN 1,337 million at the end of 2024, and the relative share in the total amount of investments in the life insurance sector increased from 42% to 46% in 2024.

Chart 83. Structure of the investment portfolio of life insurers



The technical reserves allocated by the life insurers (excluding technical reserves under index-linked and unit-linked shares) in 2024 increased by 1% and at the end of the year amounted to BGN 895 million.

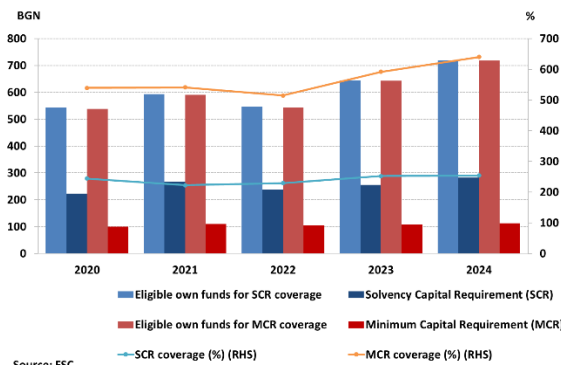
Technical reserves under index-linked and unit-linked contracts set aside at the end of 2024 increased by 30% year-on-year and amounted to BGN 1,245 million at the end of the year.

The excess of the assets over the liabilities of the life insurers at the end of 2024 was estimated at BGN 757 million compared to an excess of BGN 680 million at the end of 2023

The eligible own funds to cover the solvency capital requirement of life insurers as at 31.12.2024 amounted to BGN 719 million and the SCR amounted to BGN 283 million. The coverage of the MCR with eligible own funds at the end of 2024 was estimated at 254%.

The eligible own funds to cover the minimum capital requirement of life insurers as at 31.12.2024 amounted to BGN 718 million, and the MCR amounted to BGN 112 million. Respectively, the coverage of the MCR with eligible own funds at the end of 2024 was estimated at 640%.

Chart 84. Capital requirements for life insurance undertakings



Compared to 2023, there is a growth in eligible own funds to cover the solvency capital requirement, as well as the solvency capital requirement.

2.3.3. Re-insurance

The premium income realized by companies from their active reinsurance operations during the year amounts to BGN 2580 million compared to BGN 2423 million a year earlier. The main share in the activity of active reinsurance during the reporting year is occupied by the property insurance against fire and other disasters and motor third-party liability insurance.

Claims incurred to assignors amount to BGN 1,629 million. Property insurance against fire and other catastrophes accounts for the largest share in the structure of incurred claims.

2.3.4. Guarantee and compensation fund

The Guarantee Fund is a legal entity with its seat in the city of Sofia, which pays out compensation to injured persons with regard to mandatory “Motor Third-Party Liability” and “Accident” insurances to the passengers in public transport vehicles, reimburses amounts paid by an EU Member State compensation body, guarantees insurance receivables in cases of insurer insolvency.

The Guarantee Fund established and manages the following separate accounts:

- Fund guaranteeing the claims of injured persons from uninsured and unidentified motor vehicles – Fund for uninsured motor vehicles;
- Fund guaranteeing the claims in case of an insurer's insolvency under Article 519, Items 2 and 3 of IC – Compensation Fund.

In 2024 the revenues of the Fund for uninsured motor vehicles accrued from contributions under mandatory Third Party Liability of motorists insurance and “Accident” insurances for the passengers in public transport vehicles amounted to BGN 52.8 million, compared to BGN 48.5 million in the previous year.

At the end of 2024, the funds available in the Fund for uninsured motor vehicles, according to Art. 556, para. 1 of the IC, amounted to BGN 196.6 million. Their amount corresponds to the requirement under Art. 556, para. 2 of the IC, according to which the minimum amount was set at BGN 10 million.

The revenues of the Compensation Fund for 2024 amounted to BGN 15.0 million and grew by 39% year-on-year.

In 2024, the GF (from the funds of the Security Fund) began paying the principals of the undisputed benefits concluded through the Bulgarian branch of the insurance company Olympic, which is in liquidation. In this regard, the Cyprus Guarantee Fund has made a partial refund of the payments made by the Bulgarian GF.

As at 31 December 2024, the funds of the Security Fund amount to BGN 122.1 million.

3.4. Social insurance market

The net assets of SPFs in 2024 increased, reaching BGN 26,497.7 million at the end of the year. The increase in net assets of the pension funds during the year was due to the receipts of contributions and the result of invested funds by the PICs, which in turn was driven by general trends in the global financial markets during the year. By the end of 2024, a total of 5,066,133 people are insured in SPFs. The upward trend in the number of insured persons continued despite the legal option to switch from supplementary mandatory pension funds (SMPFs) to the State Social Insurance (SSI), as well as the ongoing development of the payout phase for individuals formerly insured in the universal pension funds (UPFs).

Since 2021, FBP have also been operating in the pension insurance market, providing lifelong pensions and programmed withdrawals to individuals formerly insured in UPFs. As of the end of 2024, a total of 29,299 individuals were receiving payments from FBPs, including 5,086 pensioners and 24,213 persons receiving programmed withdrawals. The net assets of FBPs stood at BGN 226.5 million at year-end, with their rapid growth attributable to the increasing number of individuals insured in UPFs reaching retirement age and exercising their rights.

3.4.1. Pension insurance companies

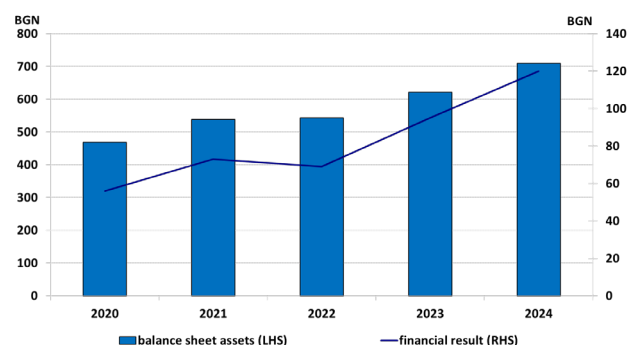
As at 31.12.2024, 10 licensed PICs operated, with the total number of the pension funds managed by them being 32, including 10 UPFs, 10 PPFs, 10 VPFs and two VPFOS.³⁷ As of the end of 2024, a total of 20 funds had been established to make payments to individuals formerly insured in universal pension funds, including 10 FPLPs and 10 FPWs.

Four of the companies operating on the pension insurance market are part of international financial groups - PIC Doverie AD - Vienna Insurance Group AG WienerVersicherung Gruppe, PIC DSK - Rodina AD - OTP BANK NYRT, PIC Allianz Bulgaria AD - ALLIANZ SE and PIC UBB EAD - KBC Group N.V.

In three of the licensed companies there were shareholders directly holding more than 90% of the capital.³⁸

The balance sheet assets of PICs as at 31.12.2024 are BGN 709.9 million, marking an increase of 14.2% compared to 2023. In the total net financial result of PICs, which for 2023 amounted to BGN 119.9 million, there was an increase by BGN 25.1 million or 26.5 % compared to the total net financial result for 2023.

Chart 85. Balance sheet assets and net financial result of PICs



Source: FSC.

³⁷There were no insured persons yet in one of the VPFOS as at 31.12.2024.

³⁸ BANK DSK EAD directly owns 97.00% of PIC DSK - Rodina AD, DZI EAD directly owns 100% of PIC UBB

EAD, Insurance Company DallBogg : Life and Health AD directly owns 100% of PIC DallBogg: Life and Health EAD.

The average unweighted value of the own funds to solvency limit indicator at the end of 2024 of all ten licensed pension insurance companies is 396.5%, which significantly exceeds the legally defined minimum amount of 100%. An increase of 46.4 p.p. was observed in the value of the indicator compared to 2023, when it stood at 350.1%. The indicator varied significantly across individual companies, ranging from 100.6% to 945.2%.

The liquid resources of PICs, SPFs and FBPs as at 31.12.2024 were higher than the statutory minimal amount, i.e. all companies and the funds they managed were able to cover their current liabilities.

The reserves for guaranteeing the minimum return in UPFs and in FBPs, set aside with own funds of PICs, as at 31.12.2024, amount to BGN 166.8 million, and their amount corresponds to the statutory provisions. At the end of the reporting year, the reserves for guaranteeing the gross contributions to the UPF, set aside with the funds of the PIC, amount to BGN 116.0 million, and their amount corresponds to the statutory provisions. The investments made with the funds securing the reserves, as well as the valuation of these investments, are in accordance with the regulatory requirements.

Table 64. Ratio of the own funds of the PICs to the solvency and liquidity limit of the PICs and funds

	2023	2024
Ratio of PICs' own funds to the solvency threshold (%)	350,1	396,5
Liquidity of PICs (ratio)	14,6	13,5
Liquidity of UPFs (ratio)	214,2	153,8
Liquidity of PPFs (ratio)	171,6	135,2
Liquidity of VPFS (ratio)	149,1	194,6
Liquidity of VPFOs (ratio)	254,6	200,1
Liquidity of FPLPs under Art. 9, para. 4, item 1 of Ordinance No. 10 (ratio)*	9,9	10,0
Liquidity of FPLPs under Art. 9, para. 4, item 2 of Ordinance No. 10 (ratio)*	32,7	40,3
Liquidity of FWPs under Art. 9, para. 4, item 1 of Ordinance No. 10 (ratio)*	1,8	1,9
Liquidity of FWPs under Art. 9, para. 4, item 2 of Ordinance No. 10 (ratio)*	5,4	5,4
Note: The indicators are calculated as the arithmetic mean of the value of the individual PICs/funds.		
Source: FSC.		

The degree of coverage of the registered capital ranges widely between 73.4% and 702.6%. The average unweighted value of the

indicator as of the end of 2024 was 378.3%, compared to 339.8% at the end of 2023, representing an increase of 38.5 p.p. In the case of nine companies, the value of the indicator increased, and this is due to an increase in the equity capital and preservation of the amount of the registered capital. Only one PIC recorded a decrease in the value of the indicator as a result of a reduction in equity, while the amount of registered capital remained unchanged.

The average return on equity for the sector as of the end of 2024 was 23.9%, representing an increase of 2.1 p.p. compared to 2023, when it stood at 21.8%. The range of return on equity across individual PICs was wide, with the lowest value at -15.0% and the highest at 61.0%. In eight companies, the indicator increased as a result of profit growing at a faster rate than equity. The value of the indicator decreased in two PICs – one due to equity growing at a faster pace than profit, and the other due to a faster increase in losses compared to the decline in equity. During the year, only one company reported a loss, as a result of which its indicator has a negative value.

Table 65. Analysis of PICs equity

	2023	2024
Registered capital coverage ratio	339,8	378,3
Return on equity	21,8	23,9
Note: Data is in%, unless stated otherwise The indicators are calculated as the arithmetic mean of the value of the individual PICs.		
Source: FSC.		

The degree of coverage of the assets of managed funds (SPFs and FBPs) is in the range between 2.0% and 5.2% except one PIC for which the value of the indicator is 8.1%. The average unweighted value of the indicator as of the end of 2024 was 3.6%, compared to 4.6% at the end of 2023, representing a decrease of 1.0 p.p., mainly due to the decline in the value of the indicator for the PIC licensed in 2021. For the other companies, the value of the indicator remained close to that of the previous year.

The average unweighted return on assets of PICs as of the end of 2024 was 11.9%, compared to 11.3% in 2023, an increase of 0.6 p.p. In six companies, the indicator increased as profit grew at a faster pace than assets. The value of the indicator declined in four PICs: in

three of them, due to assets increasing more rapidly than profit, and in one, due to a faster increase in losses compared to the growth in assets. The range of return on assets across individual PICs was wide, with the lowest value at -13.0% and the highest at 29.4%. During the year, only one company reported a loss, as a result of which its indicator has a negative value.

For the reporting year, all companies have a positive value of the asset growth indicator. The average unweighted value of the asset growth indicator for 2024 was 12.5%, showing no significant change compared to 2023, when it stood at 12.7%. Across individual companies, the asset growth indicator ranged from 3.5% to 21.8%.

Table 66. Analysis of PIC assets

	2023	2024
Fund asset coverage ratio	4,6	3,6
Return on PIC assets	11,3	11,9
Growth of PIC assets	12,7	12,5
Note: Data is in%, unless stated otherwise The indicators are calculated as the arithmetic mean of the value of the individual PICs/SPFs		
Source: FSC.		

The average unweighted value of the operational efficiency indicator for PICs in 2024 was 141.2%, compared to 135.7% in 2023, representing an increase of 5.5 p.p. In seven PICs, the value of the indicator increased. In six of them, this was due to revenue growing at a faster rate than expenses, and in one PIC, due to a combination of rising revenues and declining expenses. In three PICs, the value of the indicator decreased: in one of them due to a decline in revenues and an increase in expenses, and in the other two due to expenses rising at a faster rate than revenues. The value of the indicator across individual companies ranged between 64.4% and 213.3%.

Table 67. Analysis of PIC income and expenses

	2023	2024
Efficiency of PIC operations	135,7	141,2
Note: Data is in%, unless stated otherwise The indicators are calculated as the arithmetic mean of the value of the individual PICs.		
Source: FSC.		

The average unweighted value of the indicator Fees and deductions per one participant in the funds for 2024 amounts to BGN 52,15 compared to BGN 45,68 for the previous year, i.e. an increase of BGN 6.47. The value of the indicator increases in all PICs. The increase in the value of the indicator for seven of the companies was due to revenue increasing at a faster rate than the increase in participants, while for the remaining three fee and deduction revenue increased and participants decreased. The value of the indicator for individual PICs is between BGN 38.96 and BGN 71.74.

The operating expenses per participant in the funds managed by pension insurance companies (PICs) decreased by BGN 1.15 in the reporting year 2024, reaching BGN 51.39 at year-end, compared to BGN 52.54 in 2023. The decline in the value of the indicator is primarily due to the significant decrease recorded by the company licensed in 2021. The value of the indicator also declined in one other company as a result of reduced expenses. In the remaining eight PICs, the value of the indicator increased – in five of them due to expenses rising at a faster rate than the number of participants, and in three due to increased expenses combined with a decline in the number of participants. The indicator's value across individual companies ranged between BGN 28.70 and BGN 77.37, with the exception of one PIC where it reached BGN 95.54.

Table 68. Fees, deductions, and Operating Expenses per Participant in the Funds

	2023	2024
Fees and deductions per participant in the funds	45,7	52,2
Operating expenses per participant in the funds	52,5	51,4
Note: Data is in BGN unless stated otherwise The indicators are calculated		
Source: FSC.		

As of the end of 2024, revenue from fees and charges per BGN 100 in fund assets ranged between BGN 1.06 and BGN 1.27. The average unweighted value of the indicator was BGN 1.14, compared to BGN 1.16 in 2023 – a decrease of BGN 0.02. In four pension insurance companies (PICs), the indicator declined due to fund assets growing at a faster rate than revenue from fees and charges. In six

PICs, the indicator increased as a result of revenues from fees and charges growing faster than the balance sheet assets of the funds.

Operating expenses per BGN 100 in fund assets for 2024 ranged from BGN 0.55 to BGN 1.42, with the exception of one PIC where the value of the indicator was BGN 2.98. The average unweighted value of the indicator in 2024 was BGN 1.20, compared to BGN 1.48 at the end of 2023, marking a decrease of BGN 0.28. This was due to a decline in the indicator in nine PICs, most significantly in the company licensed in 2021. In eight PICs, the decrease was driven by fund assets growing faster than operating expenses, while in one PIC it was due to both an increase in fund assets and a reduction in expenses.

Only one PIC reported an increase in operating expenses per BGN 100 in fund assets, as its expenses grew faster than the fund's asset

Table 69. Fees, deductions and operating costs per BGN 100 in the funds

	2023	2024
Fees and deductions per BGN 100 in the funds	1,2	1,1
Operating expenses per BGN 100 in the funds	1,5	1,2
Note: Data is in BGN unless stated otherwise The indicators are calculated as the arithmetic mean of the value of the individual SPFs.		
Source: FSC.		

In the supervision of PICs' operations with regard to the management of funds in 2024, no deviations from the statutory requirements were identified in terms of the amount of the mandatory fees and deductions paid to PICs.

In 2024, almost all PICs maintain the maximum allowable amounts of fees and deductions collected by a SMPF, according to the SIC. 3.75% deduction from each social security contribution and investment fee in the amount of 0.75% per annum, calculated on the value of the fund's net assets depending on the period during which they were managed. One PIC applied a lower fee withheld from each contribution to the SMPFs it manages by adopting a differentiated approach based on the insured person's contribution period – specifically, reducing the fee after a certain

period of insurance. Also, two PICs have adopted a lower deduction rate from each contribution for the UPF managed by one PIC (differentiated approach depending on the person's period of insurance) and for the PPF managed by the other PIC (no additional conditions).

Half of the PICs maintained the maximum fee permitted under the Social Insurance Code (SIC), calculated on the net asset value of the FBPs based on the period during which the assets were managed – 0.5%. One company applied a lower fee for the FPLP and FPW it manages, while the other four PICs did not charge any fee for the management of their FPLPs and FPWs in 2024.

Fees and deductions for management of the SVPFs, collected by the PIC, are lower than the statutory ones. The average fee withheld from each contribution to a voluntary pension fund (VPF) in 2024 was 2.6%, down from 2.7% in 2023. For VPFOs, the fee was 0.9% in 2024, compared to 0.8% in 2023. The statutory maximum fee withheld from each contribution to a SVPF is 7.0%.

Table 70. Investment Fee and Contribution Fee in SVPFs

	2023	2024
Deducted investment fee for VPFs	8,6	8,6
Deducted investment fee of VPFOs	10,0	10,0
Average amount of deduction from insurance contributions for VPFs	2,7	2,6
Average amount of deduction from insurance contributions for VPFOs	0,8	0,9
Note: Data is in%, unless stated otherwise The indicators are calculated as the arithmetic mean of the value of the individual VPFs and VPFOs.		
Source: FSC.		

As of 31.12.2024, as well as at the end of 2023, all VPFs reported a positive investment return, which resulted in an investment fee being charged to the management companies. As of 31.12.2024, VPFOs also reported a positive investment return, and an investment fee was charged, as was the case at the end of 2023.

3.4.2. Supplementary pension funds

In 2024, the total balance sheet assets of supplementary pension funds (SPFs) increased by 15.8%, compared to a growth rate of 19.4% in the previous year.

The rate of change of assets varies by type of fund: for UPFs it increased by 16.5%, for PPFs by 12.9%, for VPFs by 7.9%, and for VPFOS by 6.8%.

Table 71. Increase of SPF assets

	2023	2024
UPF	20,5	16,5
PPF	14,9	12,9
VPF	10,2	7,9
VPFOS	10,1	6,8

Note: Data is in%, unless stated otherwise The indicators are calculated as a ratio of the change for the year to the status in the beginning of the year.

Source: FSC.

The market shares of the individual companies based on the amount of the managed balance sheet assets of the pension funds did not change significantly during the past year. The pension insurance company with the largest market share occupies 24.1% of the managed balance sheet assets. The pension insurance company, which was licensed in 2021 and started managing pension funds in 2022, logically has the smallest market share of 0.5%.

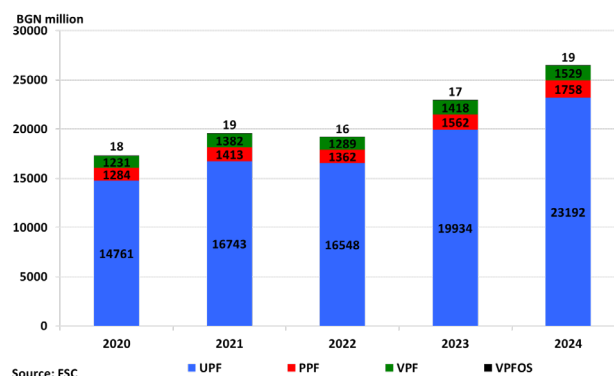
The structure of balance sheet assets by type of fund is strongly dominated by UPF. As at the end of 2024, the relative share of this type of funds in the total balance sheet assets of SPFs is 87.5%. Compared to 2023, the relative share of UPFs expanded by 0.6 p.p., at the expense of a decrease in the relative share of VPFs. As of the end of 2024, the balance sheet assets of PPFs, VPFs, and VPFOS accounted for 6.7%, 5.7%, and 0.1%, respectively.

The observed trends in balance sheet assets are also reported for net assets. In 2024, the net assets of SPFs increased by 156% year-on-year.

As at the end of 2024, the net assets of SPFs amount to BGN 26,497.7 million. They show the total value of liabilities to insured persons

and are a key indicator of the state of the supplementary pension insurance system. The net assets accumulated at the end of 2024 amount to 13.1% of the volume of GDP³⁹ of the country.

Chart 86. Net assets of SPFs



The rate of change of net assets by types of funds is identical to that of balance sheet assets, with the increase in UPF being 16.3%, and in PPF, VPF and VPFOS – respectively 12.6%, 7.9% and 6.8%. The structure of net assets by types of pension funds at the end of 2024 does not differ significantly from that of balance sheet assets.

The average non-weighted amount of managed assets per participant in 2024 in UPFs was BGN 4,952.67 compared to BGN 4,293.41 in 2023, in PPFs – BGN 4,771.74 for 2024 compared to BGN 4,313.15 in 2023, in VPFs – BGN 2,412.68 for 2024 compared to BGN 2,117.00 in 2023, and in VPFOS – BGN 1,896.74 for 2024 compared to BGN 1,768.19 for 2023. For all funds there was a decrease in assets managed per one participant. Across different types of funds, deviations from the average levels were observed – in UPFs, assets under management per participant ranged between BGN 3,154.31 and BGN 7,037.59; in PPFs – between BGN 3,275.35 and BGN 5,979.58; and in VPFs – between BGN 1,341.10 and BGN 5,121.51. The average values of the indicator for individual PICs were between BGN 2,955.24 and BGN 5,792.68.

³⁹ GDP for 2024 was BGN 202861 million according to preliminary NSI data.

Table 72. Assets under management per participant in a SPF

	2020*	2021*	2022	2023	2024
UPF	3427,0	3838,9	3718,1	4293,4	4952,7
PPF	3716,0	4019,6	3848,7	4313,1	4771,7
VPF	1804,3	1981,2	1873,3	2117,0	2412,7
VPFOS	1809,4	1853,4	1594,5	1768,2	1896,8
Note: Data is in BGN unless stated otherwise The indicators are calculated					
Source: FSC.					

Gross revenues from pension contributions to SPFs in 2024 increased by 16.3% compared to 2023, reaching BGN 2,956.3 million. The largest absolute increase in contribution revenues was observed in UPFs – BGN 378.4 million, representing a 16.7% growth. In PPFs, the increase was smaller – BGN 21.1 million, or 12.7%. VPFs also recorded an increase in contribution revenues – by BGN 15.3 million, or 14.0%. In VPFOS, despite a slight increase, contribution revenues remained practically at the same level as in the previous year.

Table 73. Gross proceeds from social insurance contributions

	2020	2021	2022	2023	2024
UPF	1523,8	1735,0	1952,0	2265,9	2644,3
PPF	120,8	135,0	145,8	165,7	186,8
VPF	115,0	170,9	134,2	109,1	124,4
VPFOS	2,1	1,1	0,8	0,8	0,8
Total	1761,7	2042,0	2232,8	2541,5	2956,3
Note: Data is in BGN million, unless stated otherwise					
Source: FSC.					

The amounts accrued and paid out by the SPFs in 2024 increased by BGN 36.4 million, or 23.4%, compared to the previous year. The primary contributor to the dynamics of the accrued and paid amounts were the payments from VPFs, whose share in the total amount averaged 60.2% over the past five years. Next in significance were the amounts accrued and paid out by UPFs, which accounted for an average share of 32.5% over the period under review and showed a continuous upward trend.

Table 74. Accrued and paid amounts

	2020	2021	2022	2023	2024
UPF	30,6	52,7	51,1	53,4	73,0
PPF	8,0	10,8	11,2	11,1	13,0
VPF	102,4	92	92,6	90,1	105,1
VPFOS	0,8	1,6	0,8	0,7	0,6
Total	141,8	157,1	155,7	155,3	191,7
Note: Data is in BGN million, unless stated otherwise					
Source: FSC.					

The average unweighted value of the return on managed assets indicator for 2024 was 0.07 for UPFs and PPFs, 0.08 for VPFs, and 0.06 for VPFOSs. In 2023, the average value of the indicator was 0.09 for UPFs and VPFs, 0.08 for PPFs, and 0.10 for VPFOSs. Compared to the previous year, the indicator decreased slightly across all types of funds. For 2024, the values of the indicator across individual pension insurance companies ranged between 0.05 and 0.13.

Table 75. Return on managed assets

	2020*	2021*	2022	2023	2024
UPF	0,02	0,04	-0,06	0,09	0,07
PPF	0,02	0,05	-0,05	0,08	0,07
VPF	0,02	0,05	-0,05	0,09	0,08
VPFOS	0,03	0,05	-0,15	0,10	0,06
Note: Data are ratios. The indicators are calculated as the arithmetic mean of the value of the individual SPFs.					
Source: FSC.					

In 2024, the number of participants in UPFs increased, while a decrease was recorded in VPFs and VPFOSs. In 2023, a decline in participants was observed only in VPFs. The overall increase in participants in 2024 was 1.5%, compared to 1.7% in 2023. The growth of the participants in 2024 by funds is as follows: for universal funds - growth of 1.7%, compared to growth of 1.9% in 2023, for professional funds the growth is 1.4% compared to 1.7% in 2023, for voluntary funds there is a decrease of (-0.9%) compared to decrease of (-0.2) % in 2023, and the only operating VPFOS reports a decrease in participants of -0.4% in 2024 compared to an increase of 0.7%) in 2023. The PIC with the largest market share in terms of the number of participants in its managed SPFs retains its position with 24.4%, and the company with the smallest market share occupies 0.7% of the market.

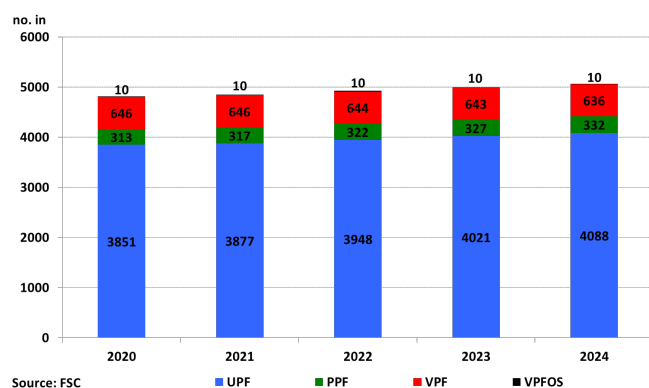
Table 76. Increase in the number of participants

	2023	2024
UPF*	1,9	1,7
PPF*	1,7	1,4
VPF*	-0,2	-0,9
VPFOS	0,7	-0,4

Note: Data is in%, unless stated otherwise The indicators are calculated as a
Source: FSC.

Regarding the structure of distribution of insured persons between SPFs, no significant differences are observed compared to the previous year. At the end of 2024, the largest share of insured persons was concentrated in the universal pension funds (80.7%). The persons insured in the voluntary and professional pension funds occupy respectively a share of 12.6% and 6.5% in the structure of distribution of the insured persons. The share of the insured in VPFOS remains the smallest (only 0.2%).

Chart 87. Number of insured persons



In 2024, still the majority of people who start their first job and should be insured in SMPF, do not exercise their right to choose a pension fund. The submitted individual applications for participation in UPF and PPF during the year are 11,193 and 1,752 respectively. The predominant part of the persons, who are subject to insurance in SMPF and have not made their choice, therefore they are distributed ex officio among the funds. In 2024, these are 89,586 persons, or 88.9% of the total number of persons admitted to UPF, and respectively 9,722 persons, or 84.7% of the total number of persons admitted to PPF.

During the year, a total of 372,911 people exercised their right to change their

participation from one to another respective SMPF. Compared to the previous 2023, their number increased by 8.6%.

Funds transferred from the individual accounts of persons who changed their participation in supplementary pension funds in 2024 increased by a total of 23.2% compared to 2023 and amounted to BGN 1,834.7 million.

The dynamics of resources transferred depends both on the number of persons that took action to change their participation in SPFs during the year, and on the amount of resources in their individual accounts.

The increase is due to mainly the funds transferred to UPF, the amount of which is BGN 336.4 million or 24.5% higher than the previous year. In PPFs, an increase in transferred funds is also observed, while in VPFs a decline is reported; however, the amount of transfers in these funds is significantly lower. In 2024, a total of BGN 10.1 million more was transferred between individual PPFs compared to 2023, representing an increase of 9.4%. Transferred funds in VPFs decreased by BGN 0.5 million, or 7.1%.

Table 77. Amounts transferred from individual accounts

	2020	2021	2022	2023	2024
UPF	739,2	1114,9	1328,0	1374,5	1710,9
PPF	70,5	105,8	116,7	107,2	117,3
VPF	3,5	9,6	21,8	7,0	6,5
Total	813,2	1230,3	1466,5	1488,8	1834,7

Note: Data is in BGN million, unless stated otherwise
Source: FSC.

The absolute value of funds invested by the supplementary pension funds (SPFs) at the end of 2024 amounted to BGN 25.3 billion, representing 94.8% of their total assets. In 2024, SPF investments recorded a growth of 17.8%, continuing the trend of increasing SPF assets. As in 2023, UPFs held the largest share of total SPF investments in 2024 (87.5%), followed by PPFs (6.6%), VPFs (5.8%), and VPFOSs (0.1%).

Between 2020 and 2024, the SPFs' investment portfolios were developing, following the dynamics of asset accumulation in the sector, the accumulated investment experience and the capital market trends. The crises caused by COVID-19 and the war in

Ukraine also affected the investment and profitability of SPFs during the period.

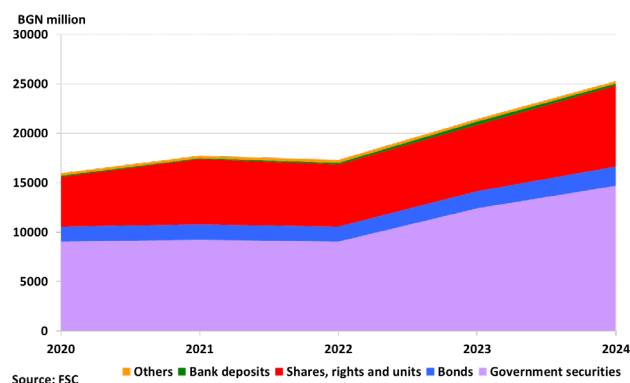
Over the five-year period, government securities remained the dominant investment in SPF portfolios. The share of government securities was lowest at the end of 2021 – 52.7% of invested funds. Since then, a rising trend has been observed, with the highest value recorded at the end of 2024 (58.2%). Compared to the beginning of the five-year period, the relative share of government securities increased by 1.5 p.p.

Second place in the aggregated portfolio of SPFs is occupied by investments in shares, rights and units. Between 2020 and 2024, the relative share of these investments decreased by 1.1 p.p. The dynamics of the indicator observed during the period is opposite to the trend reported for the relative share of government securities. At the end of 2021, the share of shares, rights, and units in the SPF portfolio reached its peak at 37.4% of invested funds. After 2021, a slight decline in interest in variable-income investments was noted, dropping to 32.3% by the end of 2024.

As of the end of 2024, the relative share of bank deposits accounted for only 0.9% of SPF invested funds. Between 2020 and 2024, the share of bank deposits fluctuated between 0.3% and 1.5%, with the lowest value recorded in 2021 and the highest in 2023.

By the end of the reporting period, the relative shares of the other two categories of investment instruments in the SPF portfolios had also declined compared to the beginning of the period. The most significant is the decrease in the relative share of funds invested in bonds (corporate and municipal). From 9.5% in 2020, the share declined to 7.7% by the end of the five-year period – a drop of 1.8 p.p. The reported decrease for the period 2020 - 2024 is 1.8 percentage points. A decrease was also observed in the relative shares of other investments (investment properties) in the aggregated portfolio of SPFs. As of the end of 2024, these represented 1.0% of all SPF invested funds, down 0.7 p.p. over the five-year period.

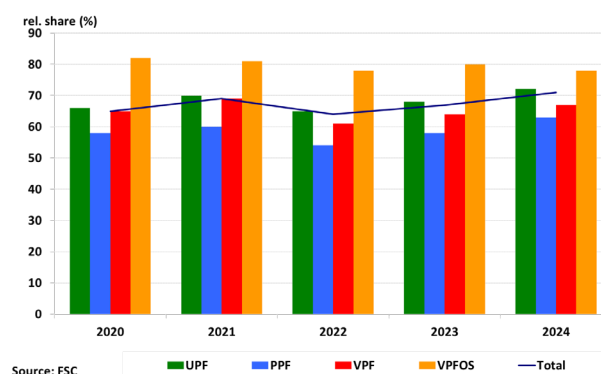
Chart 88. Structure of the aggregate investment portfolio



The funds invested by SPFs in financial instruments issued by issuers outside the Republic of Bulgaria at the end of 2024 reached 71.0% of their balance sheet assets. Compared to the end of the previous year, there was a decrease in the relative share of these investments by 4.2 percentage points.

As of the end of 2024, the structure of investments in financial instruments issued by issuers outside the country is dominated by government securities with a share of 64.4%. Variable income securities form 30.4% of investments in financial instruments issued by issuers outside the country, and the remaining 5.2% are invested in corporate debt securities.

Chart 89. Investments abroad as a percentage of SPFs' balance sheet assets



PICs manage the assets of the pension funds with the aim of achieving profitability from their investment and growth in the long-term perspective of their value. The rate of return of the SPFs' asset management was influenced by the capital market trends in which the assets were invested, which was why temporary

declines in the indicator values were possible. After achieving negative returns in 2022in a volatile and challenging environment, in 2023 and 2024 SPFs report a positive weighted average return on asset management.

Table 78. Weighted average rate of return

	2020	2021	2022	2023	2024
UPF	1,5	4,5	-10,8	8,3	6,6
PPF	1,7	4,9	-8,8	7,7	7,1
VPF	2,2	6,3	-9,0	8,4	8,3
VPFOS	2,9	4,7	-13,8	8,6	5,9
Note: Data is in%, unless stated otherwise					
Source: FSC.					

3.4.3. Funds for benefit payment

The funds in the individual accounts of persons who were insured in UPF and were granted lifelong pensions and programmed withdrawals go to funds for payment of lifelong pensions and funds for programmed withdrawals, from where the respective payments will be made. The first persons (women) insured in the universal pension funds reached retirement age in September 2021, and then the payout phase of UPFs began. In August 2024, the first male individuals insured in universal pension funds reached retirement age. As of 31.12.2024, pension contracts and deferred payment agreements had already been concluded with men who had reached the age of 64 years and 7 months – the statutory retirement age for acquiring pension rights in 2024.

By the end of 2024, all PICs have established FPLPs that pay lifelong pensions. In 2024, a total of 2471 pension contracts were concluded for the payment of an additional lifelong pension for old age, and the number of pensioners in the FPLPs reached 5086 people by the end of the year.

Table 79. Number of pensioners by type of pension at the end of the year

	2021	2022	2023	2024
Pensioners - total:	270	1184	2632	5086
including by type:				
- with a pension without additional conditions	8	24	65	127
- with a pension with a guaranteed payment	59	171	342	624
- with a pension including deferred payment	203	989	2225	4335
Note: Number of persons				
Source: FSC.				

BGN 256.1 million have been transferred to make payments to FPLPs in 2024 from the individual lots of persons with concluded pension contracts and BGN 0.1 million of deceased insured persons in UPFs, without heirs. The accumulated net assets of FPLPs as of 31.12.2024 reached BGN 97.1 million, growing more than 2 times during the year. The total amount of lifelong pensions paid by

FPLPs for 2024 is BGN 9.7 million, and the average amount of pensions paid is BGN 230.18.

Table 80. Average amount of pensions paid

	2021	2022	2023	2024
Average amount - total:	187,7	210,9	230,5	230,2
including by type:				
- a pension without additional conditions	56	68,8	85,9	94,6
- a pension with a guaranteed payment	58,8	64,6	74,6	83,5
- a pension including deferred payment	224,5	244,7	258,2	255,6
Note: Data is in BGN, unless stated otherwise				
Source: FSC.				

Towards the end of 2024, payments are also being made from 10 funds for programmed withdrawal after another PIC established a FPW in early 2024. The insured persons receiving such payments as of 31.12.2024 are 24,213. During the year, contracts for programmed withdrawal of funds from FPWs were concluded with 21,778 persons, and those who stopped receiving payments due to their contract expiring were 15460.

In 2024, a total of BGN 152.5million was transferred to FPWs from the individual lots of the persons who entered into programmed withdrawal contracts. The accumulated net assets of FPWs as of 31.12.2024 reached BGN 129.4 million, growing more than 1.5 times during the year. In the form of programmed withdrawal of funds by insured persons in 2024, a total of BGN 108.5million was paid by FPWs, and BGN 0.3 million were paid to heirs of insured persons who received such payments. The average amount of programmed withdrawals for the period is BGN 471.07

IV. ORGANISATIONAL STRUCTURE OF FSC

