

NEWSFLASH BULGARIA

Finalisation of the Act for Implementation of EUR in Bulgaria

The Act for Implementation of EUR in Bulgaria has been approved and promulgated.

20 August 2024

The National Assembly of the Republic of Bulgaria approved the Act for implementation of EUR in Bulgaria ('EUR Adoption Act') on 7 August 2024, in line with the parliamentary decision from end of July 2024 to accelerate and complete the process of practical preparation for the adoption of the Euro currency in the country.

The EUR Adoption Act has also been promulgated in the State Gazette now.

The above piece of legislation aims at seamless EUR adoption in Bulgaria, as well as higher transparency and comprehensive information about the process of implementing the EU currency in the country. The EUR Adoption Act regulates the currency conversion, calculation and rounding of goods, services, bank accounts, financial instruments, double visualisation of certain values, etc.

In particular, it has been provided that:

- Currency conversion shall take place by:
 - (i) dividing BGN values to the full numerical value of the official EUR/BGN exchange rate, and
 - (ii) rounding to the second decimal of the resulting EUR values in accordance with the relevant EU legislation, i.e. round up in case the third decimal is greater than or equal to 5 and round down when the third decimal is less than 5.
- Credit institutions shall convert in EUR the BGN balances for all client accounts, following the above currency conversion rules and on a free-of-charge basis.
- A client which has had, as of the EUR implementation date, cash accounts in both BGN and EUR with a credit institution shall be allowed to request for free the closure of the one of the cash accounts and the transfer of balances to the other cash account within 2 months upon the adoption of EUR in Bulgaria.
- Equities nominal value shall be converted in compliance with the currency conversion rules above. Any resulting difference in the equity of a joint-stock company shall be reflected as a non-distributed profit/non-covered loss from previous years.
- Total nominal value of debt securities other than government bonds, per ISIN, shall also be converted in accordance with the above-mentioned currency conversion rules. The resulting total nominal value in EUR shall then be divided to the total number (units) of debt securities so as to calculate the EUR nominal value per unit.
- Currency conversion for collective investment schemes will be applied on the Net asset value per unit, in line with the currency conversion rules above, however the rounding will be done up to the fourth decimal.
- Central Depository AD ('CDAD') shall convert, as per the rules above, the nominal value of all dematerialized financial instruments registered with CDAD, unless special rules apply for a specific financial instrument.
- Trades contracted in BGN with settlement date on or after the EUR implementation date shall be settled in EUR.
- For government securities:
 - (i) all transactions and operations shall be suspended 3 business days before EUR implementation/
 - (ii) all sub-depositories of government securities shall send to the Bulgarian National Bank ('BNB') reporting for the individual securities accounts kept for clients.
 - (iii) BNB shall perform the currency conversion, abiding by the above currency conversion rules, at the level of each individual client account for government securities, per ISIN.

The EUR Adoption Act has not specified the date for the implementation of EUR in Bulgaria. Rather, it has been provided that this date will be determined by the Council of the European Union.

The official EUR/BGN exchange rate will also be confirmed later, although the Bulgarian authorities have been committed to joining the Eurozone with the current fixed EUR/BGN exchange rate (EUR 1 = BGN 1.95583).

On a side note, the Bulgarian Parliament has also approved amendments to the Credit Institutions Act aimed at adapting the national legal framework with regard to the Bulgarian National Bank's supervisory powers in accordance with the EU regulations upon the EUR implementation.

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