

COORDINATION COUNCIL FOR
THE PREPARATION OF THE REPUBLIC OF BULGARIA
FOR EURO AREA MEMBERSHIP



NATIONAL EURO CHANGEOVER PLAN OF THE REPUBLIC OF BULGARIA



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List of abbreviations and terms used

ERM II	EU Exchange Rate Mechanism II
BNB	Bulgarian National Bank
BSE	Bulgarian Stock Exchange AD
TFEU	Treaty on the Functioning of the EU
GS	Government securities
EC	European Commission
SSM	Single Supervisory Mechanism
EU	European Union
ECB	European Central Bank
EMU	EU Economic and Monetary Union
IS	Information systems
FSC	Financial Supervision Commission
MEI	Ministry of Economy and Industry
MF	Ministry of Finance
SME	Small and medium enterprises
MTF	Multilateral Trading Facility
NRA	National Revenue Agency
NSS	National statistical system
CD	Central Depository AD

1 INTRODUCTION

The accession of Republic of Bulgaria to the euro area is the logical final phase of the European integration processes within the Economic and Monetary Union (EMU), the preparations for which began in parallel with the transition to a market economy. Accession to the euro area and the Schengen area have been and remain the main priorities of all governments that have been in power in Bulgaria for the past 20 years.

Bulgaria's pledge to join the euro area dates as far back as the officially stated Negotiating Position and the Supplementary Information to it under Chapter 11 "Economic and Monetary Union" of 2001, as well as with the Pre-Accession Economic Programs of Republic of Bulgaria for the period 2002-2005 and 2004-2007. Subsequently, the commitment to the future adoption of the single European currency was reaffirmed in the Treaty of Accession of the Republic of Bulgaria and Romania to the European Union, published in the Official Journal of the European Union OJ L 157, 21 June 2005, with effect from 1 January 2007.

The adoption of the euro is an obligation of the Bulgarian state under EU law, when it meets all the criteria for membership. Until joining the euro area, Bulgaria participates in the EU Economic and Monetary Union as a Member State with a derogation.

In fulfilment of this obligation, in June 2018, the Minister of Finance and the Governor of the Bulgarian National Bank submitted a joint letter¹ that formalised their request that the Bulgarian lev accedes to the Exchange Rate Mechanism II (ERM II) after fulfilling unilateral preliminary commitments, as well as that the Republic of Bulgaria participates in the Single Supervisory Mechanism (SSM) by establishing close cooperation with the European Central Bank (ECB) within the meaning of Regulation (EU) No. 1024/2013². The intentions expressed in this letter received the political support of the Eurogroup.

¹ <https://www.minfin.bg/en/1291>

² COUNCIL REGULATION (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions

In July 2018, the Minister of Finance and the Governor of the Bulgarian National Bank submitted a joint letter of application for the establishment of close cooperation with the ECB.

The Bulgarian government and institutions have fulfilled all the unilateral commitments accompanying the accession of our country to the Exchange Rate Mechanism II, including the establishment of close cooperation within the Banking Union. In the context of the stated intention, the government adopted and implemented an Action Plan that included measures in various policy areas, such as harmonizing the legal framework for the structure and operation of the BNB with the requirements for establishing close cooperation with the ECB, as well as strengthening the supervisory framework of the non-banking financial sector; introduction of a new instrument in the macroprudential framework; improving the insolvency framework; strengthening the anti-money laundering framework and modernizing the governance framework for state-owned enterprises; ratification of the Agreement on the transfer and sharing of contributions to the Single Resolution Fund.

The efforts of the Bulgarian authorities and institutions were positively assessed by the European Commission, the ECB and the euro area Member States. On 24 June 2020, the Governing Council of the ECB adopted a decision establishing close cooperation with the Bulgarian National Bank with effect from 1 October 2020. On 10 July 2020, the Ministers of Finance of the euro area Member States, the President of the European Central Bank, together with the Finance Ministers and the Governors of the Central Banks of Denmark and Bulgaria, decided unanimously to include the Bulgarian lev in the Exchange Rate Mechanism II.

Bulgaria participates in ERM II with its currency board regime and fixed central rate of BGN 1.95583 for 1 EUR, which rate will be maintained when our country joins the euro area.

After the inclusion of the Bulgarian lev in ERM II, the preparation for Bulgaria's accession to the euro area is with a target date **1 January 2024**, determined by the amendment made in March 2021 to Decree No. 168 of the Council of Ministers of 2015 establishing a Coordination Council for the Preparation of the Republic of Bulgaria for Euro Area Membership. In this context, the Bulgarian government accelerated its work in several areas - fulfilment of subsequent commitments after our accession to ERM II, fulfilment of convergence criteria according to the findings of the Convergence Reports of the EC and ECB, and practical preparations for changeover from the Bulgarian lev to the euro.

The subsequent commitments that the country has undertaken since joining the Exchange Rate Mechanism II are a natural development building on the already implemented measures and reforms in the areas: non-banking financial sector, governance framework of state-owned enterprises, insolvency framework, and the

AML framework. The fulfilment of the subsequent commitments is part of the process of our country's accession to the euro area, which will contribute to sustainable economic convergence with the euro area Member States.

According to the EU Treaty, achieving nominal and sustainable convergence is the condition for membership, which our country must meet. Achieving such convergence is determined by the fulfilment of the criteria for euro area membership defined in the Maastricht Treaty³, namely:

- Criterion for price stability, according to which the average inflation rate should not exceed by more than 1.5 percentage points the average inflation rate in the three best performing Member States in the field of price stability;
- The budget deficit should not exceed 3% of GDP;
- Government debt should not exceed 60% of GDP;
- The average nominal long-term interest rate, measured by the yield on ten-year government bonds denominated in national currency, for a period of one year before the assessment, should not exceed by more than 2 percentage points the average of the three best performing Member States in the field of price stability;
- Participation in the Exchange Rate Mechanism II for a period of at least two years before the assessment, without depreciation against the central rate.

Along with the implementation of legal, economic and structural measures to strengthen the competitiveness and sustainability of the Bulgarian economy, the path to smooth adoption of the euro is associated with in-depth planning and practical preparation for the changeover by both the administration, and businesses and citizens.

The preparation presupposes serious organizational, coordination and expert work. The experience of the recently acceded countries shows that proper planning and preparation for the introduction of the euro reduces the potential risks associated with inefficient distribution of work over time, as well as the difficulties in the daily activities of institutions, businesses and citizens.

This National Euro Changeover Plan of Bulgaria is the strategic document on the basis of which the operational work for the replacement of the lev with the euro will be implemented. **The plan was developed by the Coordination Council for**

³ The Maastricht convergence criteria are described in Art. 140 of the Treaty on the Functioning of the European Union and Protocol 13 thereto: <http://eur-lex.europa.eu/legal-content/BG/TXT/?uri=celex%3A12012E%2FTXT>

the preparation of the Republic of Bulgaria for euro area membership. The Plan follows best practices from euro area Member States.

The National Euro Changeover Plan describes the principles, the institutional and legal framework for the adoption of the euro, as well as the main activities for the successful introduction of the euro from 1 January 2024.

In particular, the document provides an overview of all important operational activities and measures that participants in the preparation for the euro introduction - the private, public sector and the citizens themselves - should carry out as part of the process of adopting the single European currency. The Plan defines the rules for conversion of prices and other indicators, and explains the procedures for cash changeover and for conversion of BGN deposits and loans with fixed and variable interest rates. Furthermore, the procedures for the supply and distribution of euro banknotes and coins are outlined, and the necessary legislative changes are described. This document also includes the main principles and stages of the information campaign aimed at raising awareness of Bulgarian citizens about how to replace the lev with the euro, the design, basic and security features of euro banknotes and coins, the consumer protection measures and other important issues related to the introduction of the euro.

The document is organized in six chapters, and this first chapter is an introduction. Chapter two explains the basic principles that will be followed in the euro adoption process. Chapter three explains the scenario and stages in the process of introducing the euro. Chapter four presents an overview of the legal framework at European Union level, which regulates the use of the euro as a common currency and describes the changes in national legislation required for the euro introduction. The fifth chapter presents the role of the main stakeholders in the adoption of the euro, and the sixth chapter describes the measures that the competent authorities will take in various areas - public finance, public administration, financial and non-financial sector, consumer protection and information campaign.

The specific tasks to be performed in the process of preparation for the euro area membership, with the specific deadlines and institutions responsible for implementation, will be detailed in the Tabular Action Plan implementing the National Euro Changeover Plan.

2 PRINCIPLES OF THE EURO INTRODUCTION PROCESS

In order to be successful, the process of introducing the euro should run smoothly and cause as little disruption as possible to the daily lives of citizens and businesses. To this end, in the process of preparing our country for membership in the euro area, public authorities will be guided by and will strictly adhere to the following principles:

Efficiency – in preparation for membership, the most appropriate measures will be taken to achieve the desired end results (there should be commensurability between the measures and the desired end results).

Responsibility – all public authorities involved in the changeover process will be responsible for the smooth preparation process in their areas of competence.

Transparency – the process of preparation of our country for membership in the euro area should be as transparent as possible, and for this purpose a special website for the euro will be created and various information and awareness campaigns will be conducted.

Conversion from BGN to EUR – Currency conversion means the physical exchange of BGN cash for euro and the conversion of prices, deposits, loans, financial instruments and other balance sheet items. The conversion will be done by applying the irrevocably fixed exchange rate of BGN 1.95583 for 1 EUR, which will be confirmed by amending Regulation (EO) № 2866/98⁴.

Recalculating amounts using the abbreviated form of the fixed exchange rate is prohibited, as **the full** fixed exchange rate must be used, i.e. with all five numbers after the decimal point. Only then can the result be rounded to the second number after the decimal point.

Consumer protection – the interests of Bulgarian citizens must be fully protected. It is to be ensured that consumers will not be in a worse situation after the euro introduction than they would have been if the euro had not been adopted. For this purpose, all possible measures will be taken to prevent any abuses in the

⁴ Regulation (EC) 2866/98 - on the exchange rates to the euro of the currencies of the Member States adopting the euro

lev-to-euro conversion. Effective monitoring and control tools will reduce the risk of price increases that may otherwise occur as a result of euro adoption.

Prevention of harm to individuals and legal entities – the introduction of the euro should not harm Bulgarian individuals and legal entities. In cases where they cannot be accurately converted according to the rules for rounding, fees and taxes to the state will be rounded downwards, and payments of the state to Bulgarian individuals and legal entities will be rounded upwards. This rule shall not apply to payments and liabilities to the State arising from infringements in which case the standard mathematical rules for rounding will apply.

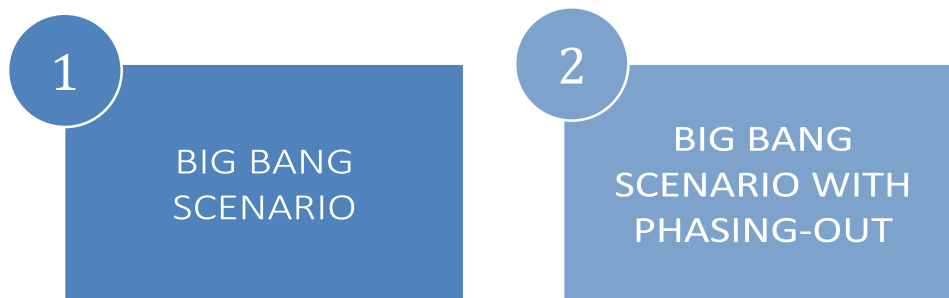
Consumer security – consumers should be protected as best as possible from possible misuse and counterfeiting of euro banknotes and coins. For this purpose, information campaigns aimed at acquainting citizens with the characteristics and security features of euro banknotes and coins will be conducted.

Minimization of public spending associated with the adoption of the euro – in order to minimize the public costs associated with the euro introduction, each entity, whether private or public, will be responsible for covering its own costs arising from the introduction of the euro, as well as for its organizational and technical preparation. The costs of adopting the euro in the private sector will not be compensated by public funds.

Special attention to the most vulnerable social groups – In preparing for the introduction of the euro, special attention will be paid to certain social groups such as students, pensioners, ethnic minorities, people living in remote areas or those with limited access to financial information and services, as well as people suffering from physical, sensory or mental illness, etc.

Continuation of existing contracts and automatic conversion of credit facilities, deposits and funds on accounts, loans, financial instruments and securities – the introduction of the euro will not change or repeal existing contracts. All agreements, including loans, deposits, as well as financial instruments in BGN or with references to BGN will continue to operate after Bulgaria's accession to the euro area. The value of the lev will be equivalent to the value of the euro, converted by applying the irrevocably fixed exchange rate of BGN 1.95583 to 1 EUR.

3 SCENARIOS AND TIME PERIODS



The scenarios under which a Member State with a derogation can adopt the euro are the following:

The so-called "***Big bang scenario***" is when euro banknotes and coins become official means of payment from the date of membership in the euro area. The use of the national currency together with the euro is allowed for a period of up to 6 months after the changeover;

- The so-called "***Big bang scenario with phasing-out***" is when the national currency can still be used in certain legal instruments and systems (such as IT systems) for a maximum period of one year from the date of the introduction of the euro. This scenario takes advantage of the rapid euro introduction, as in the first scenario, combined with an extended withdrawal period, which could be useful for changing more complex administrative and technological systems. *However, this scenario is recommended as a last resort, and only if there are unexpected difficulties in implementing the first scenario.*

Scenario for the euro introduction in Bulgaria

A big bang scenario was chosen for the introduction of the euro in Bulgaria, i.e. the date of adoption of the euro coincides with the introduction of the euro as the official unit of payment. This choice is determined by the structure of our financial system, as well as the size of our country.

Time periods for the adoption of the euro in Republic of Bulgaria

In current practice, when admitting a Member State to the euro area, the Council of the EU takes a decision to revoke the derogation of the state and to irrevocably fix the exchange rate of the national currency to the euro approximately six months before the date of membership. The conversion of prices and monetary units from BGN to EUR will be done by applying all significant figures of the fixed conversion rate, i.e. using all five numbers after the decimal point and then rounding the resulting amount to two figures after the decimal point in accordance with the established rules. Conversion of prices at a rate other than the fixed exchange rate is not permitted. Consumers are not to be charged additional fees and commissions due to the conversion costs.

One month⁵ after the Council of the EU takes the decision that the Republic of Bulgaria meets the necessary conditions for the introduction of the euro and confirms the fixed exchange rate for converting the lev to the euro, a requirement for mandatory dual display of prices in both lev and euro will come into force. This obligation will remain in force for 12 months from the date of adoption of the euro.

During the first month from the day of the introduction of the single European currency in Bulgaria, the lev and the euro will be in circulation at the same time, and both currencies will have the status of legal tender. This means that if our country joins the euro area on 1st January 2024, until 31st January 2024, both the lev and the euro will be legal tender. After this one month, the euro will remain the only legal tender in Bulgaria.

The one-month transition period will help ensure a gradual transition to the new currency. During this one month, citizens will be able to pay in both currencies at retail outlets and service centres. On the other hand, traders must return the change to their customers exclusively in euros, unless they are unable to do so for practical reasons. Thus, in practice, part of the levs in circulation will be exchanged through traders and service providers, thereby providing another exchange channel for Bulgarian citizens. At the same time, pursuant to Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, a rule will be adopted according to which the trader will not be obliged to accept more than 50 coins in one transaction with the buyer within this transitional period.

During the first six months from the date of introduction of the euro, banks in Bulgaria and Bulgarian Posts EAD will exchange banknotes and coins from BGN

⁵ It is possible for the EU Council to decide to lift the derogation and fix the exchange rate later, for example two or three months before the introduction of the euro, instead of the traditional six months before the adoption of the euro. In such circumstances, there may be a change in the timeframe for the entry into force of the dual display of prices requirement.

to EUR free of charge, and in the next six months they will be able to charge a fee for this service.

One year after the introduction of the euro, banks and Bulgarian Posts EAD will, at their discretion, provide the service for the exchange of banknotes and coins from the lev to the euro, and may introduce a fee for this service.

The Bulgarian National Bank will exchange BGN and EUR banknotes and coins free of charge indefinitely from the day of the adoption of the euro.

From the date of Bulgaria's membership in the euro area, all current accounts, deposit accounts, current budget accounts, savings accounts, fund-raising accounts, liquidation accounts, and other accounts with local banks, as well as payment accounts with other payment service providers (payment institutions and companies for electronic money) will be converted into euro once, automatically, and free of charge. There will be no transition period for these accounts. This means that from the first day of adoption of the euro, account holders will be able to withdraw only EUR from their BGN accounts, regardless of whether the withdrawal will be made via an ATM / POS device or in the office of the payment service provider (bank, payment institution or electronic money company). This is a quick and extremely convenient way to exchange leva for euros, without a special commitment for the account holder himself. From the first day of the euro introduction, non-cash payments will be made exclusively in euro.

Tentative schedule for the replacement of the lev with the euro

Preparations for the euro changeover approximately six months before the date of introduction of the euro

Activity	Start of activity	Duration of the activity	Responsible institution
The Council of the EU will adopt a decision according to which the Republic of Bulgaria meets the necessary conditions for the introduction of the euro and will confirm the exchange rate at which the conversion of the lev into the euro will take place	Approximately six months before the euro introduction in Bulgaria		
Selection of design of the national side of euro coins	After assessing that Bulgaria meets the criteria for euro introduction		Bulgarian National Bank

Activity	Start of activity	Duration of the activity	Responsible institution
Production of euro coins with a Bulgarian national side	After the date of the decision of the Council of the EU on euro introduction in Bulgaria		Bulgarian National Bank
Preparation of starter kits with euro coins with a Bulgarian national side for retailers and citizens	After the date of the decision of the Council of the EU on euro introduction in Bulgaria		Bulgarian National Bank
Mandatory dual display of prices in BGN and EUR	1 month after the date of the decision of the EU Council on euro introduction in Bulgaria	12 months from the date of euro introduction in Bulgaria	Ministry of Economy and Industry/ Consumer Protection Commission
Targeted information and communication campaign on the adoption of the euro, incl. information on the process of introduction of the euro, security measures, security features of euro banknotes and coins, as well as urging citizens and legal entities to deposit a large part of their BGN cash in bank accounts so that their money can be converted in euro automatically and free of charge from the date of euro area membership	2 months after the date of the decision of the EU Council on euro introduction in Bulgaria	2 months after the date of euro introduction in Bulgaria	Bulgarian National Bank / Ministry of Finance
Supplying banks with euro banknotes and coins with a Bulgarian national side (frontloading).	2 weeks before the date of euro introduction in Bulgaria		Bulgarian National Bank
Supplying merchants and Bulgarian Posts EAD with euro banknotes and coins with a Bulgarian national side (free of charge) (secondary frontloading)	2 weeks before the date of euro introduction in Bulgaria		Banks

Activity	Start of activity	Duration of the activity	Responsible institution
Selling euro coins and starter kits with euro coins with a Bulgarian national side to retailers and citizens	2 weeks before the date of euro introduction in Bulgaria	12 months from the date of euro introduction	Banks and Bulgarian Posts EAD.
Issuers of securities traded on a regulated market prepare for conversion of financial instruments	6 months before the date of euro introduction in Bulgaria	Until the date of euro introduction in Bulgaria	FSC
Central Depository AD prepares for conversion of financial instruments, including adaptation of the maintained registers and the clearing and settlement systems	6 months before the date of euro introduction in Bulgaria	Until the date of euro introduction in Bulgaria	FSC
The Bulgarian Stock Exchange AD and all MFTs prepare for conversion of financial instruments, including updating of trading systems	6 months before the date of euro introduction in Bulgaria	Until the date of euro introduction in Bulgaria	FSC

Period starting from the date of introduction of the euro in Bulgaria

Activity	Start of activity	Duration of the activity	Responsible institutions
Dual circulation of levs and euro as legal tender	The day of euro introduction in Bulgaria	1 month	Bulgarian National Bank
Supplying banks with euro banknotes and coins with a Bulgarian national side	The day of euro introduction in Bulgaria	indefinitely	Bulgarian National Bank
Automatic conversion into euro of BGN funds on accounts with the BNB, banks and other payment service providers, free of charge	The day of euro introduction in Bulgaria		Bulgarian National Bank, banks, payment institutions and electronic money companies

Activity	Start of activity	Duration of the activity	Responsible institutions
Physical exchange of Bulgarian banknotes and coins for euro banknotes and coins free of charge for the cash exchange service	The day of euro introduction in Bulgaria	6 months after the introduction of the euro in Bulgaria	Banks and Bulgarian Posts EAD
Physical exchange of Bulgarian banknotes and coins for euro banknotes and coins with the possibility of applying fees for the cash exchange service	6 months after euro introduction in Bulgaria	12 months after the introduction of the euro in Bulgaria	Banks and Bulgarian Posts EAD
Physical exchange of Bulgarian banknotes and coins for euro banknotes and coins with the possibility of applying fees for the cash exchange service	12 months after euro introduction in Bulgaria	At the discretion of the respective bank and Bulgarian Posts EAD	Banks and Bulgarian Posts EAD
Physical exchange of Bulgarian banknotes and coins for euro banknotes and coins free of charge for the cash exchange service	The day of euro introduction in Bulgaria	indefinitely	Bulgarian National Bank
Withdrawal of Bulgarian banknotes and coins from circulation		indefinitely	Bulgarian National Bank
Automatic conversion into euro of the nominal and market prices of financial instruments	The day of euro introduction in Bulgaria		CD, BSE, MTFs

Schedule for the main activities for the introduction of the euro in Bulgaria in the field of banks and financial institutions

Activity	Start of activity	Duration of the activity/Term	Responsible institutions
Preparation of the information systems of banks and financial institutions (FI) under Article 3a of LCI for maintaining information with the possibility of dual display in BGN and EUR, which is related to statements under key banking documents and transactions: balances on bank (payment) accounts, bank	The date of the decision of the Council of the EU to introduce the euro in Bulgaria	12 months after the day of euro introduction in Bulgaria	Bulgarian National Bank

transfers, ATM withdrawals, tariff of fees and commissions, principal and interest payments on loans and advances, interest on deposit accounts.

Banks prepare for the conversion of bank payment accounts and credit accounts, incl. all other accounting accounts for assets, liabilities and equity	The date of the decision of the Council of the EU on euro introduction in Bulgaria	The day of euro introduction in Bulgaria	Bulgarian National Bank
FI under Art. 3a of the LCI prepare for conversion of credit accounts, incl. all other accounts of assets, liabilities and equity	The date of the decision of the Council of the EU to introduce the euro in Bulgaria	The day of the introduction of the euro in Bulgaria	Bulgarian National Bank
Preparation for conversion of the reference interest rates (base rates) from BGN to EUR	6 months before the date of the decision of the Council of EU for euro introduction in Bulgaria	The day of euro introduction in Bulgaria	Bulgarian National Bank
Banks and FIs publish the methodology for switching to interest rates in euro	The date of the decision of the Council of the EU to introduce the euro in Bulgaria		Bulgarian National Bank
Preparation for the presentation of current reports for statistical, regulatory and public purposes in euro only. The Bulgarian National Bank will require banks and FIs to simulate the submission of reports to the BNB in euro before the date of its introduction	6 months before the date of the decision of the EU Council on the introduction of the euro in Bulgaria	The day of euro introduction in Bulgaria	Bulgarian National Bank

Schedule for the main activities for the introduction of the euro in Bulgaria in the field of the non-banking financial sector

Activity	Start of activity	Duration of the activity /Term	Responsible institution
Preparation for conversion of financial instruments, shares/units, liabilities, balances on all accounts	The date of the decision of the Council of the EU to introduce the euro in Bulgaria	The day of euro introduction in Bulgaria	FSC
Preparation for reporting to the FSC and presenting to the general public in euro of financial	6 months before the date of euro introduction	The day of euro introduction in Bulgaria	FSC

and accounting information, as well as of other information required and reported only for supervisory purposes.

The FSC will require from the enterprises of the non-banking financial sector supervised thereby a simulated submission of the reports and statements in euro before the date of euro introduction

Schedule for the main activities for the introduction of the euro in Bulgaria in the field of payment systems and other activities

Activity	Start of activity	Duration of the activity / Term	Responsible institution
Accession of the BNB, banks, payment systems and securities settlement systems to the new consolidated TARGET services platform	Preparations have started	November 2022	Bulgarian National Bank, CD
Analysis, development and preparation of the necessary changes in the legal framework, payment and internal information systems of the BNB, BORICA AD and the banks, ensuring the transition of the lev interbank payments to settlement in euro on a consolidated TARGET services platform	Preparations have started	The date of the decision of the EU Council to introduce the euro in Bulgaria	Bulgarian National Bank
Analysis, development and preparation for migration of client payments, incl. budget ones, in BGN to SEPA payments in EUR	18 months before the date of the decision of the EU Council to introduce the euro in Bulgaria	The date of the decision of the EU Council to introduce the euro in Bulgaria	Bulgarian National Bank / Ministry of Finance
Analysis, development and preparation of the necessary changes in the information systems for conducting government securities auctions, for information servicing of the state budget and in the systems servicing the Government Securities Depository. Legal and technical preparation for accession	Preparations have started	The date of the decision of the Council of the EU to introduce the euro in Bulgaria	Bulgarian National Bank / Ministry of Finance, Central Depository

Activity	Start of activity	Duration of the activity / Term	Responsible institution
or the Government Securities Depository and Central Depository AD to TARGET2-Securities			
Analysis, development and preparation of the necessary technical and legal changes in statistical reporting and information systems in connection with the introduction of the euro	Preparations have started	The date of the decision of the Council of the EU to introduce the euro in Bulgaria	Bulgarian National Bank
Publication of the time series of statistical data, converted into euro and beginning of parallel publication of the current statistical data in BGN and in EUR; issuing methodological guidelines for reporting for statistical purposes in euro	3 months after the date of the decision of the Council of the EU on euro introduction in Bulgaria	The day of euro introduction in Bulgaria	Bulgarian National Bank
Implementation of data reporting under ECB Regulation 2016/867 of 18 May 2016 on the collection of granular credit and credit risk data (ECB / 2016/13) and BNB requirements	The date of the decision of the Council of the EU to introduce the euro in Bulgaria	indefinitely	Bulgarian National Bank
Conducting tests of the changes in the information systems	The date of the decision of the Council of the EU to introduce the euro in Bulgaria	The day of euro introduction in Bulgaria	Bulgarian National Bank / Ministry of Finance

4 LEGAL FRAMEWORK OF THE EURO INTRODUCTION PROCESS

4.1 The euro in European Union law

The process of introducing the euro in an EU Member State is regulated mainly by the Treaty on the Functioning of the European Union, three regulations and one recommendation.

Treaty on the Functioning of the European Union

The Treaty on the Functioning of the European Union (TFEU) regulates the procedure for the introduction of the euro.

Pursuant to Article 140 (1) TFEU, at least every two years or at the request of a Member State with a derogation, the European Commission and the European Central Bank prepare reports reviewing the compatibility of the national legislation of the Member States with a derogation with Art. 130 and 131 of the TFEU, and with the Statute of the European System of Central Banks and of the European Central Bank. These reports also examine the achievement of a high degree of sustainable convergence according to the fulfilment of the economic criteria described in Article 140 (1) TFEU (Maastricht criteria) by a Member State with a derogation.

Pursuant to Article 140 (2) TFEU, the Council decides which Member States with a derogation fulfil the conditions for the introduction of the euro and abrogate the derogations of the countries concerned. Pursuant to paragraph 3 of the same Article, the Council, based on the unanimous decision of the Member States of the euro area and the Member State concerned, irrevocably fixes the exchange rate between the euro and the national currency of the Member State concerned and takes all other necessary measures to introduce the euro.

Council Regulation (EC) 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro

The regulation stipulates that the introduction of the euro cannot have the effect of altering any term of a legal instrument or of discharging or excusing performance

under any legal instrument, nor give a party the right unilaterally to alter or terminate such an instrument⁶. In other words, the changeover from the national currency to the euro does not give any contracting party the right to terminate a valid contract unilaterally or to change certain contractual provisions. Regulation (EC) 1103/97 also states that the exchange rate between the national currency and the euro should be expressed in six digits, as in the case of the Bulgarian lev this means the five figures after the decimal point, using the exchange rate in its entirety, without truncation or rounding. The specific rules for rounding the exchange are set out in the principle "Conversion from BGN to EUR", described in Chapter II.

Council Regulation (EC) 974/98 of 3rd May 1998 on the introduction of the euro and Council Regulation (EC) 2169/2005 of 21 December 2005 amending Regulation (EC) 974/98 on the introduction of the euro

Regulation (EC) 974/98 on the introduction of the euro governs the substitution of the euro for the national currencies of the Member States. The legal act provides for the right of the countries that have adopted the euro to issue coins that have the status of legal tender in all euro area Member States. It is stated that, with the exception of the central bank and the persons specifically designated by the national legislation of the issuing Member State, no person is obliged to accept more than 50 coins in any single payment. Banknotes and coins denominated in a national currency unit may remain legal tender within the territorial boundaries of the country no later than six months after the end of the transitional period, which may be shortened by the national law.

Regulation (EC) 2169/2005 amending Regulation (EC) 974/98 provides for the possibility for Member States to choose the scenario for the euro introduction and the length of the transitional period. Provision is made for credit institutions in the Member States concerned to exchange their clients' banknotes and coins denominated in the national currency for euro banknotes and coins **free of charge** during the transitional period up to an amount which may be determined by the national law.

Council Regulation (EC) 2866/98 of 31 December 1998 on the conversion rates between the euro and the currencies of the Member States adopting the euro

Regulation (EC) 2866/98 on the conversion rates determines the fixed conversion rates between the euro and the currencies of each of the countries which have

⁶ According to Regulation (EC) 1103/97, "legal instruments" means legislative and statutory provisions, acts of administration, judicial decisions, contracts, unilateral legal acts, payment instruments other than banknotes and coins, and other instruments with legal effect.

first adopted the euro. The Regulation shall be amended whenever the Commission irrevocably fixes the conversion rate between the euro and the national currency of each new Member State adopting the euro.

The most recent amendment to Regulation (EC) 2866/98 is Council Regulation (EU) 851/2014 of 23 July 2014 amending Regulation (EC) 2866/98 as regards the conversion rate to the euro for Lithuania.

Commission Recommendation of 10 January 2008 on measures to facilitate the future changeovers to the euro (notified under document number C (2007) 6912)

The Recommendation provides additional useful information on the practical measures that Member States should take in order to adopt the euro seamlessly and smoothly. It provides guidance on the organization of the currency changeover, including the preparation of a National Euro Changeover Plan, facilitating the preparation of citizens to replace the national with the single European currency by providing detailed information on the process, and recommends specific actions to ensure a rapid introduction of the euro in cash and the prevention of abuse.

4.2 The euro in the national law

Changes in the Bulgarian legal framework in connection with the introduction of the euro

The introduction of the euro as the official currency will require certain changes in the Bulgarian legislation to ensure legal certainty and create conditions for a smooth and seamless transition to the new currency. The experience of the Member States that last adopted the euro demonstrates that a law regulating common issues related to the single European currency is usually adopted in the period before the date of euro area accession. The law should regulate the principles to be observed during the process of euro introduction, such as the principle of the continuation of the effect of existing contracts and other legal instruments. The law will regulate the date of accession to the euro area, fix the length of the period of dual circulation of the two currencies, and the period of dual display of prices, measures to protect consumers, etc.

In addition to the adoption of a Law on euro adoption in the Republic of Bulgaria (hereinafter "the Euro Adoption Law "), in order to fully adapt the Bulgarian legislation to the euro, a number of laws and legislative instruments containing provisions related to the Bulgarian lev will have to be amended - incl. with regard to public finances, payment services, the tax system, the capital market, the financial system and commercial law. No later than 11 months before the date of euro introduction, public authorities should complete the review of the legislative instruments

within their competence, which contain provisions concerning the lev, and determine those that should be amended. Draft amendments to these instruments should be prepared at least 5 months before the date of introduction of the euro and be adopted or issued before the date of euro adoption.

It is important to note that legislative instruments with provisions that do not make reference to the lev to a large extent do not need to be amended in the period up to the introduction of the euro, as the Euro Adoption Law will provide for automatic conversion of amounts from lev to euro, i.e. the amounts in BGN will mean the same amounts in EUR, divided by the irrevocably fixed exchange rate of BGN to EUR. These legislative instruments will be adapted to the new currency only when other amendments and/or supplements are needed.

Legal convergence in accordance with the regulatory framework of the EC and the ECB

In the 2020 Convergence Reports of the European Commission and the European Central Bank, the two European institutions review the Bulgarian legislation on inconsistencies and imperfections noted in previous reports of 2018. In addition, in early 2021, some amendments were adopted to the Law on the BNB, as well as the Law on Credit Institutions and the Law on Counteracting Corruption and Seizure of Illegally Acquired Property, related to strengthening the independence - institutional and personal - of the central bank, and ensuring the prohibition on monetary financing. These amendments have been consulted with the ECB and its favourable opinion has been received.

All remaining inconsistencies will be corrected before the date of accession to the euro area in order to obtain a positive assessment of Bulgaria in the Convergence Reports of the EC and the ECB that are published in the year before the introduction of the euro. In this regard, in order to comply fully with the specific requirements of the ECB and the Eurosystem in areas such as monetary policy, foreign exchange reserves, statistics, payment systems, banknote issuance, auditor selection, financial reporting, exchange rate policy, international cooperation, etc., a new Law on the BNB will have to be drafted, which will enter into force on the date of Bulgaria's accession to the euro area.

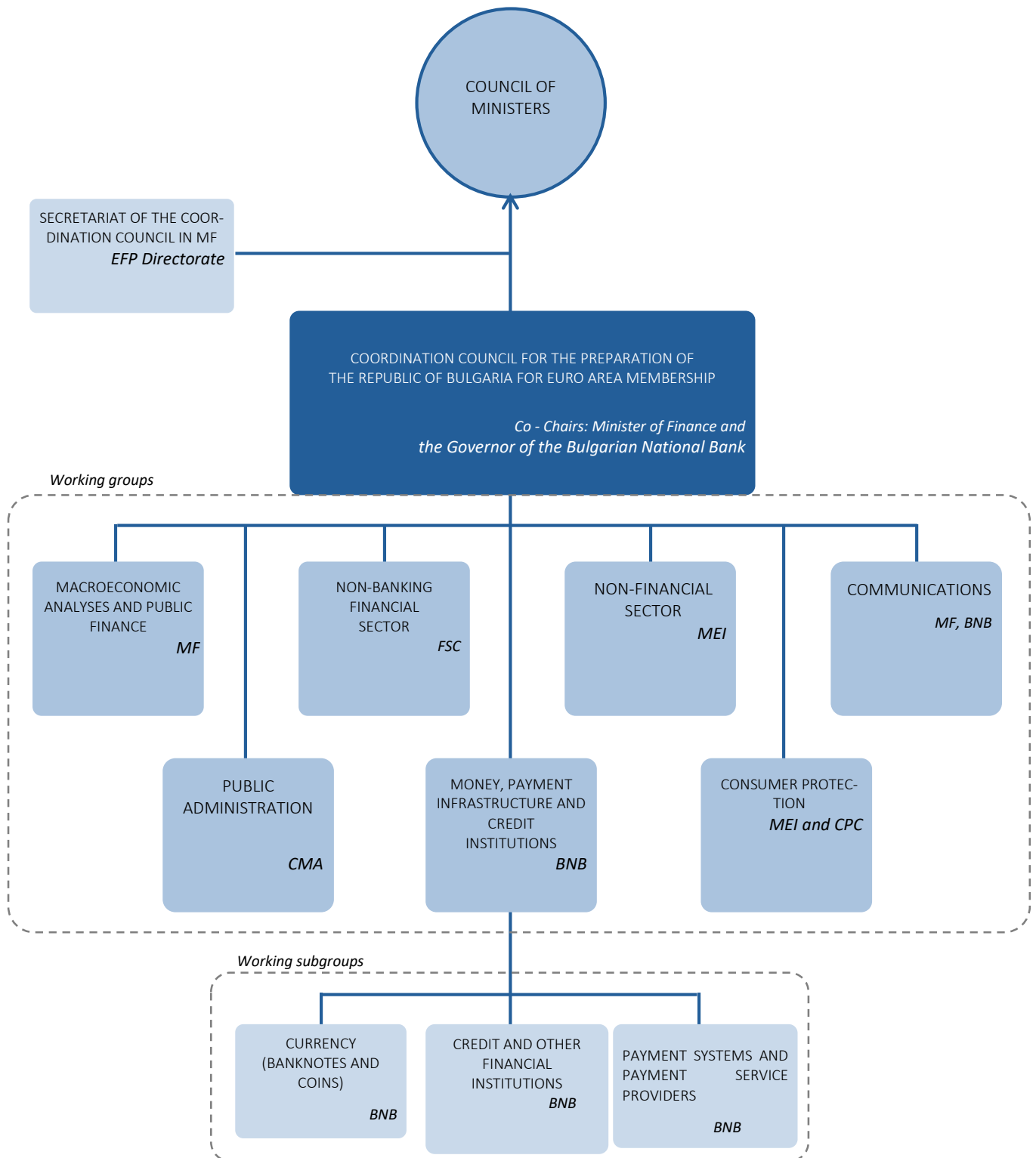
5 COORDINATION OF THE PREPARATION PROCESS FOR THE INTRODUCTION OF THE EURO

The coordination of Bulgaria's preparation for the introduction of the euro is regulated in Decree No. 168 of the Council of Ministers of 2015 establishing a Co-ordination Council for the preparation of the Republic of Bulgaria for membership in the euro area (hereinafter referred to as “the Council”). Namely the Council is responsible for organizing, coordinating and monitoring the practical preparations of the Republic of Bulgaria for euro area membership. The Council is also responsible for the development, implementation and, if necessary, for the updating of the National Euro Changeover Plan of Bulgaria. Its functions also include the approval of documents, activities and initiatives related to the practical preparations for the adoption of the single European currency, as well as the periodic reporting to the Council of Ministers on the progress of the preparations. The Council was established in 2015, and its activity was resumed after the accession of the Bulgarian lev to the Exchange Rate Mechanism II.

The Council is chaired jointly by the Governor of the Bulgarian National Bank and the Minister of Finance, as the latter is the national coordinator of the preparation of Republic of Bulgaria for membership in the euro area. Members of the Council are:

- The heads of the expert working groups that support the work of the Council and whose scope of activities is described below, including the Deputy Governors of the BNB and a member of the FSC;
- Deputy Minister of Foreign Affairs;
- Deputy Minister of Justice;
- Deputy Minister of the Interior;
- The Chairman of the National Security State Agency;
- Deputy Minister of Transport and Communications;
- Member of the political cabinet of the Prime Minister.

Institutional mechanism for the preparation of the Republic of Bulgaria for membership in the euro area



In addition to the members of the Council, at the invitation of the two co-chairs, representatives of other state and municipal bodies and institutions, non-governmental organizations and businesses that could contribute to the issues under consideration may participate in its meetings.

The Council is assisted by expert working groups and subgroups which, within their competence, directly carry out the practical preparation for membership of the euro area. The list of members of the working groups and subgroups is determined by an Order of the Minister and/or the head of the leading administration/institution on the respective matter. The working groups and subgroups may also include representatives of the social partners, non-governmental organizations involved in the work of the Council, academia and business organizations. The Council may, by a decision of the Council, establish or modify existing working groups, as well as set up temporary working groups. The currently formed working groups and subgroups are:

1) *Macroeconomic Analyses and Public Finance Working Group*

The leading institution of this working group is the Ministry of Finance (MF), with the Deputy Minister of Finance as its chairman. Among the main responsibilities of the working group are: analysis of the degree of nominal and real convergence of the economy of the Republic of Bulgaria; preparing proposals for measures and policies that will maximize the benefits of the introduction of the euro at minimum cost; the preparation in the field of public finances - budgeting, statistics, accounting, payments in euro from/to budget organizations, etc.

2) *Public Administration Working Group*

Leading in this working group is the Council of Ministers Administration (CMA), which is chaired by the Director of the Modernization of the State Administration Directorate in the CMA. This working group is responsible for preparing the administration to operate with euro by preparing guidelines/trainings, including trainings by competent institutions, for the smooth substitution of the euro for the lev, as well as for the adaptation of the information systems used at national and municipal level to the new currency, etc.

3) *Non-banking Financial Sector Working Group*

Led by the Financial Supervision Commission (FSC) and chaired by a member of the FSC, this working group is responsible for activities related to the adoption of the euro in relation to the non-banking financial sector, including the conversion of financial instruments from BGN to EUR, adaptation of clearing systems and settlement of securities to the euro and the reorganization of information systems, accounting, financial and non-financial information, etc.

4) *Currency, Payment Infrastructure and Credit Institutions Working Group*

The leading institution in this working group is the Bulgarian National Bank. Its responsibilities are divided among three subgroups:

Currency (banknotes and coins) Working subgroup

Chaired by a Deputy Governor of the BNB, it is responsible for the design of Bulgarian euro coins, the adaptation of ATM software to operate in euro, as well as the provision of euro currency to financial institutions and the withdrawal of the lev currency, as well as other activities within the Issue Department.

Credit and other financial institutions Working subgroup

Chaired by a Deputy Governor of the BNB, this working subgroup is responsible for activities in the Banking Supervision Department related to the preliminary analysis of the requirements and coordination of the training of supervised entities, including the reorganization of accounting systems, financial statistics, and documentation for operating in euro.

Payment systems and payment service providers Working subgroup

Chaired by a Deputy Governor of the BNB, the subgroup is responsible for adapting the payment systems, the system for registration and settlement of government securities, and the accounting systems servicing the activities of the BNB, to operate in euro, as well as for the preliminary analysis of the requirements and the coordination of the preparation of the supervised entities, and other activities within the scope of the Banking Department.

The working subgroup will also deal with issues arising from the transition to budget payments in euro (payments of public receivables, payments in SEBRA and other budget payments), and one of the main focuses of this activity will be issues related to SEPA compliant payments to accounts of public receivables administrators. The participation of representatives of the Ministry of Finance, the National Revenue Agency, the Customs Agency and other public institutions related to the process of administering public receivables in this activity is coordinated by a Deputy Minister of Finance.

5) *Non-financial sector Working Group*

Chaired by a Deputy Minister of Economy and Industry, the working group is responsible for the smooth introduction of the euro in the activities of non-financial enterprises by preparing guidelines for: correct conversion of prices from BGN to EUR, for tax reporting and accounting in the period when both currencies will be an official means of payment; to adapt the accounting, logistics, commodity and other systems to operate in euro, etc.

6) *Consumer Protection Working Group*

Led by the Ministry of Economy and Industry and the Consumer Protection Commission and chaired by a Deputy Minister of Economy and Industry, it is responsible for the preparation and implementation of measures to protect consumers, including consumers of financial products and services, in the process of introducing the euro, it monitors the conversion of prices from BGN to EUR in order to prevent the unethical practice of traders to round prices upwards and initiates a campaign for "fair introduction of the euro", etc.

7) *Communications Working Group*

Led by the Ministry of Finance and the BNB and chaired by a Deputy Minister of Finance, the working group is responsible for raising public awareness of issues related to the single European currency by developing and implementing a special Communication Strategy for the euro; organizes information campaigns, surveys of public support for the euro; prepares information materials for various target groups (students, pensioners, households, people with special needs, ethnic minorities, etc.) and maintains a special information website for the euro.

6 PREPARATION FOR THE EURO INTRODUCTION BY POLICY AREAS

6.1 Public administration and public finance

The preparation of the public administration and public finance for the euro changeover is one of the main preconditions for the smooth and trouble-free introduction of the euro in the country. The operational work will be organized, implemented and controlled by two working groups at the Coordination Council for the preparation of the Republic of Bulgaria for its membership in the euro area – Macroeconomic Analyses and Public Finance Working Group, as well as Public Administration Working Group.

Conversion of revenues and expenditures under the consolidated fiscal program and preparation/adoption of the state budget for 2024

All revenues and expenditures under the consolidated fiscal program, as well as all government assets and liabilities, arising before the introduction of the euro, should be converted from BGN to EUR in accordance with the established rules for conversion when Bulgaria joins the euro area. This should be done on the day of the introduction of the euro, without a transitional period, and will be regulated by the applicable legislation.

All payments to and from the budget are to be made in euro from the day of adoption of the euro as legal tender. Exceptions to this rule are cash payments to the budget in the period of dual circulation of the lev and the euro, when it will be possible to perform these operations in both currencies.

Taxes, compulsory social security contributions and other public debts

With the introduction of the euro, all taxes, fees and other payments to the state and municipalities must be made in EUR. An exception to this rule will be made in the period of dual circulation of the lev and the euro, i.e. one month from the date of introduction of the euro.

Tax liabilities and compulsory social security contributions in various certificates, audit acts, etc. for tax periods beginning after the date of Bulgaria's membership in the euro area, as well as for those beginning before the date of membership and ending thereafter, should be denominated in euro.

Defaults and overpayments of taxpayers in BGN, accumulated before the introduction of the euro, should be converted into euro from the date of Bulgaria's accession to the euro area.

Legal acts such as tax audit acts, decisions to extend the payment period, etc., which were adopted but not implemented before the introduction of the euro and which affect the lev, will continue to be in force, with the amounts in levs automatically being converted in euro according to the conversion and rounding rules described above in the Plan.

Determining the amount of statutory interest on overdue monetary obligations

Prior to the introduction of the euro, the methodology for determining statutory interest on arrears should be adapted.

Government securities (GS)

Upon Bulgaria's accession to the euro area, all government securities should be converted from BGN to EUR. It should be noted that only about 18% of the Government sector debt structure was denominated in BGN at the end of 2020, as the share of government securities was 94% of it. In addition, upon joining the euro area, Bulgaria will become a full member of the European Stability Mechanism. As such, our country is obliged to introduce identical and standardized Collective Action Clauses in the conditions of all newly issued government securities with a maturity of over one year. The manner in which these clauses are to be applied will be further specified.

Accounting when adopting the euro

In order to determine a uniform procedure for accounting upon the changeover to the euro, the future Euro Adoption Law and/or other legislative instruments will adopt legislative amendments related to:

- Preparation of accounting supporting documents, accounting records and financial statements, where the valuation is in BGN;
- Procedures for converting the capital and shares of companies into euro;
- Rounding procedures in accounting supporting documents, accounting records and financial statements;
- Procedures for registration of cash register transactions during the transitional period in which payments in BGN and EUR are accepted.

With the introduction of the euro, economic and public entities should prepare their financial statements in the new currency. In the 2024 statements, any data concerning a prior period should be converted into euro.

The amounts in the declarations and forms that citizens and legal entities will fill out after the introduction of the euro, and which relate to tax and other liabilities to the state or receivables from the state for the period preceding the year of introduction of the euro, will be in Bulgarian leva. However, payments based on these liabilities and receivables will be made in euro, with the amounts being converted into the new currency at the official fixed exchange rate.

Statistics

The National Statistical System (National Statistical Institute, statistical bodies and the Bulgarian National Bank), which is the source of official statistics in the country, will adapt its procedures for collecting, processing and compiling statistics using the euro. In this way, the National Statistical System (NSS) will be prepared for the publication of new statistics and the recalculation of old statistics from the beginning of the respective series of data in euro. Clear rules for the preparation and dissemination of statistics, including reports for the media, statistical publications, etc., will also be laid down during the dual display period. The statistical information for the reporting year 2023 should be in BGN, and from the date of adoption of the euro it should be in EUR.

In addition to recalculating existing time series of statistical data, the NSS will have to collect, process and publish data that has not been systematically monitored so far. The European Commission (Eurostat) and the ECB have set out additional reporting requirements for euro area countries in their statistical legislation. These requirements are related to the production of data at a more disaggregated level and with shorter deadlines for data submission, and in some cases to the establishment of entirely new statistical surveys. All this will require adjustments in many data collection and processing systems, as well as the creation of new ones.

All activities and changes must be harmonized with the current European and national legislation and should be recorded in the Strategy for Development of the National Statistical System for the period 2021 - 2027, as well as in the National Statistical Program for the respective reference years.

Information systems

The introduction of the euro affects all information systems (IS) at national and municipal level, which operate with currency units and process financial information. In this regard, the IS of administrative structures, public companies and other organizations should be adapted to operate with euro in a timely manner, and their readiness for the euro changeover will be ensured by the relevant ministries, departments and institutions within their area of competence. The following steps should be taken to ensure that the IS adapt smoothly to the euro:

- Immediately after the adoption of this Plan, the administrative bodies will plan the necessary activities for adaptation of the information systems in the annual plans for the renewal of the information resources in their administration.
- Achieving euro compatibility of all information systems that will be affected by the change of currency. For this purpose, the administrative bodies will take the necessary actions for the implementation of the activities for upgrading / development of their information systems, which currently do not operate with euro. The administrative bodies should carry out the adaptation of their information systems through the planning mechanism of the information resources in the administrations provided for in the Law on Electronic Government (LEG).
- Each administrative body should draw up a specific action plan for the adaptation of its IS, which should include specific deadlines, planned actions and actors responsible for the adaptation of the information systems. First-level spending units should summarize the information on the administrative structures of the institutions that they oversee and present it to the working group responsible for the adaptation of the information systems – the Public Administration WG.
- Introducing a regulatory requirement when creating or upgrading an information system that operates with currency and ensure its compatibility with the euro.
- At the proposal of the Public Administration WG, the Ministry of Electronic Governance and other competent bodies will issue methodological instructions to the administrative bodies on the adaptation of information systems. These guidelines should also include a mechanism to assess the effectiveness and efficiency of possible solutions (e.g. to assess whether it is more effective to adapt existing software or simply to purchase new euro-compatible versions).
- At least three months before the introduction of the euro, the information systems should be able to show and perform euro transactions and/or lev-to-euro conversion operations. In this way, continuity of public IS should be ensured during the dual pricing period.
- Most public sector information systems maintain large databases containing information in national currency. In many cases, data can continue to be stored in the national currency and can only be converted if further processing is required. There will be cases in which the transformation of the stored data will probably be necessary. For cases where data conversion is

required, the original data should be archived in accordance with data protection principles.

Contracts to which the state is a party

The rules regarding the contracts, incl. international treaties to which the state is party and which will continue to be in force after 31 December 2023 or whose term has expired, but payments are to be made after the introduction of the euro, must be settled much earlier. The conditions under them, both with regard to payments and with regard to the exchange of information, should be brought into line with the introduction of the euro and the irrevocably fixed exchange rate between the euro and the lev.

The establishment of international agreements, which include commitments with payments in BGN or BGN equivalent and assessment of the need for their renegotiation with the other party/parties to the contract is the responsibility of the leading institution, which is competent in the subject and implementation of the contract. This institution will be also responsible for taking action to renegotiate the relevant clauses.

Administrative service

The administrative authorities responsible for making payments to citizens in connection with the exercise of their statutory rights shall adapt the content of the template documents, as well as acts issued by them containing financial information as soon as possible after the establishment of an irrevocably fixed exchange rate between the euro and the lev. The financial information (eg. amount of pension, benefit or allowance) contained in the sample documents or acts in question will be presented in both BGN and EUR during the period of dual display of prices, and citizens will be provided with the necessary explanations of the exchange rate used and the manner in which any rounding has taken place. This process requires a redesign of the provided administrative services, incl. electronic and directory services.

Municipal activities

Municipal administrations have a key role to play in ensuring a successful changeover to the euro due to the nature of services they provide to citizens. Municipalities should be prepared to ensure the seamless and smooth application of the euro in all public services they manage, including through amendments to legislative instruments. This is done in order to avoid the increase of prices in the sectors of public administration and public services within the competence of the municipalities.

The municipal administrations should also check the compatibility of the IS with the euro and adapt them if necessary.

Training

The currency changeover and the corresponding changes in the information systems require the conduct of appropriate training for employees, which have to be organized long enough before the introduction of the euro. The trainings are a prerequisite for improving the awareness and knowledge of the public administration. To this end, expert consultations will be held in advance and training needs will be analysed and studied in order to achieve a good level of competence of the administration and awareness of public sector stakeholders related to the currency changeover. The trainings will be in different formats, as their scope and intensity will depend on the extent to which the changeover affects the employees in question. Civil servants and other public sector employees whose work will be directly affected by the adoption of the euro, and/or those who work on a daily basis with cash, will be trained by specialized lecturers. Special explanatory materials will be prepared for other staff to provide information on the main legal and regulatory aspects of the euro and the impact of currency change on the work of the public sector and citizens. Many of the employees working in the district and municipal administrations are in daily contact with the citizens and are the primary source of information about the changeover. The trainings will also be conducted in electronic and hybrid form. Activities such as conferences, seminars or exhibitions will also be held to raise employee awareness.

6.2 Money, payment infrastructure and credit institutions

Measures, activities and responsible persons in the field of banknote and coin exchange

A. General

Selected scenario for the introduction of the euro – euro banknotes and coins acquire the status of legal tender on the day of the introduction of the euro in the Republic of Bulgaria.

Period of dual circulation of lev and euro – one month from the euro introduction day.

The main goal of the process of replacing the Bulgarian lev with the euro is to achieve the necessary goal with regards to compliance with the principles of efficiency, security, timeliness and speed, optimal allocation of resources, transparency and awareness of the whole society.

The currency changeover process is extremely complex and requires the involvement of both public and state bodies, as well as private companies (banks, companies that are professionally engaged in the processing and transportation of banknotes and coins, retail chains, shops, exchange offices and others).

During the first month of adopting the euro, the lev and the euro will be in circulation at the same time, and after this period, the euro will be the only legal tender. During this period, all legal entities and individuals will be able to make cash payments in both currencies. For their part, retailers have to return the change to customers only in euro. In order to avoid a situation in which retailers will bear the main burden of the exchange of the lev to the euro, a restriction has been introduced (Council Regulation 974/98), according to which during this transitional period the trader will not be obliged to accept more than 50 coins in BGN from the buyer in one transaction.

After one month of its adoption, the euro will be the only legal tender in the Republic of Bulgaria.

The majority of transactions for the exchange of banknotes and coins from lev to euro will take place in the first month from the introduction of the euro.

The Bulgarian National Bank will exchange lev and euro banknotes and coins free of charge, indefinitely.

Banks and Bulgarian Posts EAD⁷ will provide the service for conversion of banknotes and coins from lev to euro as follows:

- in the first six months after the introduction of the euro, they will be required to provide free exchange of banknotes and coins from lev to euro;
- from six months to one year after the introduction of the euro, they will be obliged to offer to their customers the service of exchanging banknotes and coins from lev to euro, and they may introduce a fee for this service;
- after one year from the introduction of the euro, they may, at their discretion, offer to their customers the service of exchanging banknotes and coins from lev to euro, and may introduce a fee for this service.

The cash exchange will be free of charge and will be done by applying the fixed exchange rate adopted by the Council of the EU. The fixed exchange rate will be

⁷ The costs incurred by Bulgarian Posts EAD in the currency changeover process in Bulgaria will be borne by the company itself. If necessary and according to the scope and parameters of the service and its results, Bulgarian Posts EAD may be provided with public aid in accordance with the rules in the field of state aid.

expressed in six digits, and in the case of the Bulgarian lev this means five figures after the decimal point, without rounding or shortening the exchange rate when performing the conversion.

The conversion of bank accounts from BGN to EUR will take place on the euro introduction day. All funds in BGN on current, deposit, savings and other accounts in local banks and other payment service providers will be converted into euro free of charge on the day of the introduction of the euro. Therefore, in the months following the decision of the EU Council that Bulgaria meets the conditions for adopting the euro and before the day of introduction of the euro, citizens will be invited to deposit as many lev banknotes and coins as possible in their bank accounts. As of the euro introduction day, all non-cash payments will be made only in euro.

The competent authorities will take a number of measures to protect consumers from violations in the process of conversion of lev against euro.

B. Necessary changes in the legal framework in the field of banknotes and coins

- 1) The following legal changes need to be adopted:
 - preparation of a new Law on the Bulgarian National Bank;
 - repeal of the Law on the Lev Redenomination;
 - amendment of all laws, which include commitments with payments in BGN or BGN equivalent.
- 2) The following amendments to BNB ordinances need to be adopted:
 - amendment of Ordinance No. 18 of the BNB of 2019 on quality control of banknotes and coins in circulation;
 - repeal of Ordinance No. 24 of the BNB of 1999 on the exchange of old banknotes and coins with new banknotes and coins in connection with the redenomination of the lev;
 - Depending on the approach to adopting the necessary legal framework, the BNB may issue a new ordinance on the exchange of BGN and EUR banknotes and coins;
 - repeal of Ordinance No. 39 of the BNB of 2019 on the face value, content, form and design of banknotes and coins put into circulation.

Measures, activities and responsible actors in the field of activity of credit institutions

A. General

Mandate of the BNB

BNB's obligations related to credit and financial institutions in the country stem from its mandate to regulate and exercise banking supervision and supervision of payment service providers.

B. Main areas related to the changes

Currency conversion of deposits

The conversion of lev into euro on bank and other payment service provider accounts will take place on the day of the introduction of the euro. All funds in BGN on current, savings, custodian and other accounts in local banks and other payment service providers will be converted into euro one-off and free of charge on the day of the euro adoption. If the agreed interest rate on the deposit is fixed, the bank should continue to apply a fixed interest rate even after the euro introduction.

The transferral mechanism from a fixed interest rate in BGN to a fixed interest rate in EUR should not lead to less favourable conditions or results for the parties to the transaction – both for the client and for the bank. In this regard, the transition from a fixed interest rate in BGN to a fixed interest rate in EUR should be determined according to the bank's methodology, ensuring that the resulting interest payment in EUR is equivalent to that in BGN at the date of conversion.

If the deposit is agreed with a variable interest rate, this parameter will be modified in a manner regulated by the provisions of the Euro Act. The transition from a variable interest rate in BGN to a variable interest rate in EUR should be determined according to the bank's methodology, ensuring that the resulting interest payment in EUR is equivalent to that in BGN at the date of conversion. Unlike cash, where conversion is relatively time-consuming and logistically more difficult, money held in bank accounts and payment accounts with other payment service providers will be converted into euro immediately, without the need for a transition period. In the months before the introduction of the euro, citizens will be invited to deposit as many lev banknotes and coins in bank accounts as possible. Given that all funds in BGN on the accounts will be converted into euro on the day of euro introduction, as of this day, transactions of non-cash payment will be made exclusively in euro.

Currency conversion of loans

From the euro introduction day, all loans originally granted in BGN or loans with a currency clause in EUR will be considered loans in EUR. Currency conversion may not be used as a condition for renegotiation of clauses already concluded between banks and their clients or as a basis for other similar actions by banks in relation to their clients, which would put the latter in a less favourable financial position compared to their position before the conversion. The same will apply to non-bank financial institutions that provide loans to customers.

The introduction of the euro does not require changes to existing loan agreements whether they are loans in levs, or loans with a currency clause in euro, as the issue of their conversion will be regulated by the Euro Act. In particular, the Euro Adoption Law will stipulate that credit agreements remain in force and the amounts denominated in levs in these agreements will be considered as amounts in euro, converted at the fixed exchange rate expressed to the fifth decimal place, without any compensation for debtors. If the agreed interest rate on the loan is fixed, the bank should continue to apply a fixed interest rate even after the introduction of the euro.

The mechanism for shifting from a fixed interest rate in BGN to a fixed interest rate in EUR should not lead to less favourable conditions or results for the parties to the transaction – both for the client and for the bank. In this regard, the transition from a fixed interest rate in BGN to a fixed interest rate in EUR should be determined according to the bank's methodology, ensuring that the resulting interest payment in EUR is equivalent to that in BGN at the date of conversion.

If the loan has a variable interest rate, this parameter will be modified in a manner regulated by the provisions of the Euro Act. The transition from a variable interest rate in BGN to a variable interest rate in EUR should be determined according to the bank's methodology, ensuring that the resulting interest payment in EUR is equivalent to the interest payment in BGN at the date of conversion.

In this regard, the financial condition of the debtor should not be a reason for deterioration of interest rate parameters under the contract. The change of the reference interest rates from BGN to EUR should be done in a sufficiently reasonable and transparent way, which does not aggravate the financial condition of the clients and does not lead to additional costs compared to the interest costs that the client would incur in BGN equivalent of his obligation.

Banks and other financial institutions will have to inform their customers in advance about the upcoming changes (for example three months) before the official transition to the euro, incl. by publishing on their websites the interest rate recalculation algorithm.

Currency conversion at a rate other than the fixed exchange rate is not permitted. Reverse exchange rate conversion (indirect quotation) will not be allowed.

Currency conversion of securities and other financial instruments

From the euro introduction day, all government securities originally denominated in BGN are to be automatically converted into EUR. Despite the predominant volumes of government debt being in the balance sheets of banks and financial institutions, there are other forms of debt investments denominated in BGN – mostly investments in primary and subordinated debts (bonds) issued by financial and non-financial companies on the Bulgarian market, and investments in stocks of Bulgarian companies registered with the Central Depository. The value of investments in such securities should also be converted into euro, including the accumulated reserves from fair value revaluation and amortization of debt instruments. The change in the nominal value of debt securities and stocks in the central securities register is to be made by the Central Depository. The effective interest rate in BGN, which the bank initially set to reflect the acquisition price of the bonds and the amortization of the principal during the investment period, is maintained, as long as this percentage is not influenced by the currency of the investment.

If the agreed interest rate on securities or other financial instruments is fixed, the issuer should continue to apply a fixed interest rate after the introduction of the euro.

The transferral mechanism from a fixed interest rate in BGN to a fixed interest rate in EUR should not lead to less favourable conditions or results for the parties to the transaction. In this regard, the transition from a fixed interest rate in BGN to a fixed interest rate in EUR should be determined according to the methodology of the issuer of the instrument, ensuring that the resulting interest payment in EUR is equivalent to that in BGN at the date of conversion.

If the securities or other financial instruments have a variable interest rate, this parameter will be modified in a manner regulated by the provisions of the Euro Act. The transition from a variable interest rate in BGN to a variable interest rate in EUR should be determined according to the issuer's methodology, ensuring that the resulting interest payment in EUR is equivalent to the interest payment in BGN at the date of conversion.

Similar provisions apply to contracts, which, by their economic nature, are derivative instruments, where the change in the conditions referring to the lev should be subject to the principles above and the provisions of the Euro Act.

Currency conversion of shareholdings in companies

Banks should make the necessary changes in their accounting systems in order to reflect the change in the reporting currency of their investments in shares of the

capital of financial and non-financial companies registered in the Republic of Bulgaria. The recording of the changes in the nominal value of the shareholdings in the capital of companies from BGN to EUR is a consequence of the respective changes that will be made on the account of the respective company in the Commercial Register, but the two processes should be done in parallel and the change in reporting of shareholdings should be provided for in a sufficiently convenient period of time. The change in the reporting currency from BGN to EUR is not a reason to change the method of accounting the value of these investments – in this aspect banks and financial institutions should continue to comply with the requirements set out in the applicable accounting standards.

Collateral

The change in the nominal value of collateral pledged/mortgaged in favour of banks and financial institutions should be automatically reflected through the pledge register and/or the property register. In order to protect the interests of the persons who established the collateral, no changes in the value of the pledged/mortgaged property as a result of the automatic conversion from BGN to EUR will be allowed – i.e. the lev to euro changeover should not be used as a basis for a change (both upwards and downwards) in the value of the collateral. A change in the value of collateral established in favour of banks and financial institutions is allowed outside the cases of automatic replacement of BGN with EUR in compliance with the applicable accounting framework and with the relevant documents and rationale.

Reports of subsidiaries

Banks and financial institutions should plan the necessary steps to reflect the replacement of the lev with the euro in relation to the reports prepared by their subsidiaries in order to ensure a uniform approach and comparability in the analysis of their performance, as well as to ensure uniform methodology with a view to consolidating the performance of these companies in the balance sheets of the parent companies. Banks take the necessary steps to ensure the same principles for the protection of clients' interests and comparability with regard to subsidiaries that prepare their own financial statements.

C. Necessary amendments to the legal framework in the field of banks and financial institutions

Amendments to the European legal framework

The Bulgarian National Bank will take action to identify and inform the official bodies in the EU (European Commission, European Parliament, Council of the EU) about the need to update the applicable European legislation (EU regulations, directives and directly applicable delegated implementing standards) regarding the parts of the legislation referring to the currency "Bulgarian lev" and the replacement of these parts with the "euro" currency.

Amendments to the national legal framework

The Bulgarian National Bank will take steps (for example, within 3 months from the date of adoption of the euro) to update the Law on Credit Institutions, the Law on Payment Services and Payment Systems and the Law on the Recovery and Resolution of Credit Institutions and Investment Firms (here the Euro Adoption Law option may be used), its internal regulatory framework, banking supervision regulations, supervisory rules and manuals, instructions and rules with a view to eliminating any reference to the lev and replacing it with the euro.

Measures, activities and responsible persons in the field of payment systems and other activities

A. General

According to Art. 2, para. 4 of the Law on the Bulgarian National Bank, the central bank is responsible for the organization, maintenance and development of payment systems in the country, assisting in the creation and operation of efficient payment systems and supervising them. Changes in the infrastructures of the financial markets are an important part of the preparations for the introduction of the single European currency and Bulgaria's accession to the euro area. To this end, payment system operators, banks and other payment service providers in the country, in coordination with the Bulgarian National Bank, will have to prepare for the implementation of the new requirements by introducing the necessary changes in the organization of work, forms and documents used, as well as their internal systems.

Payment systems

Since joining the euro area's real-time gross settlement system TARGET2⁸ in February 2010, as an operator of the national system component TARGET2-BNB, the BNB provided the banks in the country and their clients with conditions for making payments in euro in real time. In November 2022, the BNB and the banks participating in TARGET2-BNB are to join the new consolidated platform for Eurosystem TARGET services, which will unite the TARGET2 payment system, the TARGET2-Securities settlement system (T2S) and the instant transfer service in euros (TIPS) and, after November 2023 – the monetary policy collateral management system in the euro area⁹. With the introduction of the euro as the national currency, the real-time gross settlement payment system (RINGS) will cease to

⁸ Trans-European automated real-time gross settlement system for express transfers

⁹ Eurosystem Collateral Management System (ECMS)

function. Payments made until then through RINGS will start to be executed as payments in euro in the consolidated platform for TARGET services.

In order to prepare for the introduction of the euro, customer payments in BGN, currently made through the payment system operated by BORICA AD, including budget payments, will have to migrate to SEPA¹⁰ payments in euro, which will be done in accordance with the technical and business requirements laid down in Regulation 260/2012¹¹. The BORICA payment system will move to the processing of payment transactions initiated by payment cards in euro, taking the necessary preparatory actions to join the consolidated platform for TARGET services.

The aforementioned activities will require preparation and changes in the internal systems of the BNB, banks and other payment service providers, as well as changes in the form and manner of making budget payments in accordance with SEPA standards.

Securities settlement systems

Upon Bulgaria's accession to the euro area, a complete currency conversion of the outstanding domestic government debt will take place and a transition to euro payments for debt management operations in the internal market will be done. In this regard, preparatory activities will be carried out to enable the Government Securities Depository to settle transactions in T2S and continue to provide its services in accordance with market standards and Eurosystem requirements.

The aforementioned activities will require preparation and changes in the internal systems of the BNB and banks, primary dealers and sub-depositories of securities.

Statistics

The introduction of the euro as the national currency will lead to changes in the collection, processing and dissemination of official statistical information compiled by the BNB. To this end, the BNB will adapt the rules for compiling statistical reports in accordance with the requirements for the euro area countries. For that purpose, it will be necessary to compile data at a more detailed level of disaggregation and in a shorter time, and in some cases to establish completely new statistical surveys. New reporting will be introduced for banks, financial institutions, payment

¹⁰ SEPA - Single Euro Payments Area

¹¹ Regulation (EU) No. 260/2012 of the European Parliament and of the Council of 14 March 2012 laying down technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No. 924/2009 as amended by Regulation (EU) 248/2014

institutions and electronic money companies with granular credit and credit risk data, in accordance with Regulation (EU) 2016/867 of the European Central Bank¹², which will replace the current reporting for the purposes of the central credit register. The Bulgarian National Bank will convert into euro all historical data series that it has compiled, as of the first published reporting period, for each of the areas of statistics within its competence.

The aforementioned activities will require preparation and changes in the internal systems of the BNB, banks and other payment service providers, as well as reporting of a larger volume of data by the contributors of statistical information.

Payments in euro from/to budget organizations

The Bulgarian National Bank and the Ministry of Finance will work on topics related to the transition to budget payments in euro (payments on public receivables, payments in SEBRA (Electronic State Budget Payments System) and other budget payments), with the main focus on issues related to payments to accounts of administrators of public receivables (NRA, Customs Agency and municipalities), as well as the scope and possibilities for structuring information on these payments in the context of the requirements of Regulation (EU) No. 260/2012 laying down technical and business requirements for credit transfers and direct debits in euro. Close cooperation and interaction with the BNB, banks, the Association of Bulgarian Banks (ABB) and system operators is the key to resolving these issues. Among the main highlights of this activity are: analysis of changes in payment infrastructure, payment systems and technology for making payments in euro and defining current technical and business requirements for making payments in euro, as well as the structure and format of the payment message. The aim is to adopt specific decisions on the implementation of budget payments in euro, as well as to initiate the resulting changes in the regulatory provisions and information systems.

B. Necessary changes in the legal framework of payment systems and other activities

The preparation of changes in payment systems, securities settlement systems and statistics will require preparation and adoption of amendments to the Law on the Bulgarian National Bank, the Law on Payment Services and Payment Systems, the Foreign Exchange Law, the Government Debt Law, the Public Finance Law, as well as in the relevant legislative instruments.

¹² Regulation (EU) 2016/867 of the European Central Bank of 18 May 2016 on the collection of granular credit and credit risk data (ECB/2016/13).

6.3 Non-banking financial sector

The non-banking financial sector in Bulgaria is of particular importance for the development and adequate functioning of the country's economy, and is a major factor in its stability and development. Its specificity lies in that it covers a very wide range of public relations in the pension sector, the insurance sector and that of the capital market. In the process of preparation and introduction of the euro, special attention will be paid to public companies and other issuers of securities, management companies, collective investment schemes and other collective investment undertakings, investment firms, pension insurance companies and the funds they manage, to insurers, reinsurers and insurance intermediaries, and of all groups of stakeholders in the non-banking financial sector. The actions taken in this regard will be coordinated in a timely manner with the stakeholders and their representative organizations.

Enterprises that are supervised by the FSC in the non-banking financial sector should be prepared in a timely manner to operate in euro. The Non-Banking Financial Sector WG with a leading institution the Financial Supervision Commission is expertly responsible for the operational preparation of this sector.

Mandate of the FSC

The FSC's obligations with regards to the non-banking financial sector companies stem from its mandate to regulate and supervise the activities of these companies and to ensure the stability of the non-banking financial sector.

In carrying out the functions and powers granted to it by the Financial Supervision Commission Law(FSCL), the FSC is guided by the following objectives:

- protection of the interests of investors, insured and secured persons;
- ensuring stability, transparency and confidence in the financial markets;
- providing adequate and stable infrastructure on the financial markets.

The conversion of the lev and the transition to the euro will be carried out in a way that does not harm the financial interests of investors, insured and secured persons, as well as of enterprises in the non-banking financial sector.

Currency conversion of financial instruments

With the accession of Bulgaria to the euro area, both the nominal and market values of financial instruments will be converted from lev to euro.

The changes in the nominal value of the shareholdings in the capital of the enterprises in the non-banking financial sector from BGN to EUR will be recorded in

the account of the enterprise in the commercial register. The rules on the change in the nominal value of the capital of non-banking financial enterprises will be in line with national rules with regards to commercial companies.

According to the requirements of the current Law on Commerce, the nominal value of the shares of the joint stock companies is an integer in BGN, and accordingly this requirement also applies to other securities. When converting the nominal value of a security into euro at a fixed exchange rate, the resulting nominal values would be in conflict with this requirement. In view of the above, it is necessary to adopt legislative changes to introduce rules at national level for all companies and the securities issued by them. The general rules should be adopted at least 11 months before the introduction of the euro, and in the non-banking financial sector, if necessary, they will be adapted to the specifics of the sector, up to 6 months before the introduction of the euro.

The introduction of the euro implies the conversion of the value of shares, bonds, stocks and shareholdings of investment funds, shareholdings of pension funds, and other instruments on the capital and money market. In accordance with the national rules for conversion of stocks and shareholdings of companies, which will be applied to all sectors of the economy, the conversion from BGN to EUR of the value of financial instruments will use the fixed conversion rate in full, i.e. by applying all five figures after the decimal point. Only after the value of the financial instrument has been converted into euro, using a fixed conversion rate, the value can be rounded according to the relevant rules. These rules will take into account the specifics of each particular financial instrument. The conversion will be preceded by a process of preparation by the issuers of securities admitted to trading on a regulated market by Central Depository AD, which will adapt the maintained registers and clearing and settlement systems, and by the Bulgarian Stock Exchange AD and other trading venues, which will update the trading systems. Preparations should start no later than 6 months before the date of introduction of the euro in Bulgaria and continue no later than the date of its introduction. The Financial Supervision Commission, as the responsible institution, will support this preparation.

Securities settlement systems

Upon Bulgaria's accession to the euro area, the full conversion of financial instruments registered with a central securities depository, licensed by the FSC, will take place. The nominal value will be converted on the basis of a decision of the issuer of the securities, and for the equity securities the conversion should be recorded in the issuer's articles of association, in the part regarding the nominal value of the stocks and the amount of the capital.

Central Depository AD will record the changes in the central register of securities after the conversion of securities by the issuer, which will be in accordance

with the rules adopted at the national level, as well as those relevant to the specifics of enterprises in the non-banking financial sector. Central Depository AD will perform preparatory activities to ensure the settlement of transactions and to continue to provide its services in accordance with market standards and applicable requirements. The Bulgarian Stock Exchange AD and the other trading venues will carry out the respective preparatory actions for the preparation of their systems for the new requirements.

The aforementioned activities require changes in the internal systems of the Central Securities Depository, the regulated market and other trading venues.

Accounting, financial and non-financial information

From the date of introduction of the euro, all enterprises in the non-banking financial sector that are supervised by the FSC should prepare their accounting reports in euro. In order to ensure continuity of reporting, market rates, indices and/or performance indicators will also be converted into euro.

Similar to the liabilities of the public sector, the enterprises of the non-banking financial sector will prepare their financial statements and reports in BGN for the 2023 reporting year. After the introduction of the euro, the presented data in the financial statements and reports for the 2024 reporting year concerning the previous period (2023) should be converted into euro.

For the purposes of accounting, the FSC, together with the enterprises of the non-banking financial sector, will carry out the necessary preparations for the conversion of financial instruments and shareholdings, as well as liabilities and balances on the accounts (records).

Preparations for the presenting in euro of financial reporting and other information to the public and for supervisory purposes will begin no later than 6 months before the date of euro adoption. The Financial Supervision Commission will require from the enterprises of the non-banking financial sector, which are under the supervision of the FSC, to make a simulation (test) submission of statements and reports to the Commission in euro before the date of its introduction.

Information systems

If necessary, companies in the non-banking financial sector will adapt their ISs to operate in euro and will create environments where they can test hardware and/or software changes in the ISs up to 3 months before the date of adoption of the euro.

Central Depository AD will adapt the registers and clearing and settlement systems maintained by it. Bulgarian Stock Exchange AD and other trading venues should update their trading systems. The process will start no later than 6 months before joining the euro area and will be completed by the date of adoption of the

euro. During this period, simulations and testing of changes in the information structure will be conducted, and their results will be presented to the Financial Supervision Commission and other competent state authorities.

Necessary changes in the legal framework

In accordance with the deadlines and criteria set out in part 4.2 hereof the FSC should take steps to review the sectoral legislation in order to identify the need for changes. The changes will be proposed in accordance with the nationally adopted conversion and disclosure rules.

The Financial Supervision Commission will update its regulatory framework in a timely manner in order to comply with the changed legal framework, and when developing amendments in connection with the introduction of the euro will take into account the specifics of enterprises in the non-banking financial sector.

6.4 Private non-financial sector

Preparatory activities in the non-financial sector will be coordinated, implemented and monitored by the Non-Financial Sector Working Group. The operational preparation itself will not differ significantly from the activities planned for public sector entities. For example, similarly to public enterprises and administration, non-financial enterprises will be required to adapt to the dual display obligation, which will enter into force 30 days after the EU Council decision on the introduction of the euro in Bulgaria and will be in effect for 12 months after the euro accession day. The obligation to dual display and report prices in BGN and EUR will be relatively more burdensome for traders who offer a wide variety of goods/services, which implies a greater workload and burden of converting prices. In addition to the price lists, all traders should indicate their prices in BGN and EUR in advertising materials published by them on websites and in other media.

Accounting

Document-substantiated primary accounting documents and accounting records

Substantiating documents relating to the period after the euro introduction date should be entered in the accounting registers and drawn up in euro. On the day of the introduction of the euro, the balance on each account should be converted from BGN to EUR at the official exchange rate.

Separate and consolidated financial annual statements

The annual statements should be prepared in the currency in official circulation in the country at the end of the reporting year. This means that, similarly to the obligation of the public and non-banking financial entities, private non-financial

entities should report their assets, liabilities, equity and financing amounts in BGN for the 2023 reporting year and in EUR for the 2024 reporting year. After the introduction of the euro in 2024, the data submitted for the previous reporting period (2023) should be converted into euro.

Shareholders should be promptly notified of any changes in their shareholding in companies for example, number of shares, their nominal value, profit distribution, etc.

Information systems

In order to smoothen the transition to the euro, it is necessary to adapt to the new currency all information systems of the private non-financial sector that perform financial operations or operations containing financial information, with special attention to the ISs of small and medium enterprises (SMEs).

SMEs should create an inventory of ISs that will be affected, as well as a list of hardware that should be replaced or updated. Information systems should be able to perform operations with BGN and EUR in order to cope with the requirements in the period of dual display of prices and dual circulation of both currencies. In the event that the IS of an enterprise is connected to the systems of its business partners, suppliers and others, continued compatibility should be ensured even after the introduction of the euro.

Representatives of the private non-financial sector should start working on the adaptation of their ISs and test new hardware and/or software as early as possible before the euro introduction. Companies will bear the costs of changes in their ISs and all other adjustments related to the introduction of the single European currency.

Statistical reporting

From the date of the introduction of the euro, representatives of the private non-financial sector should produce and publish their statistics in euro. Like the obligations of public institutions regarding statistics, the statistical information for the 2023 reporting year should be in BGN, and from the date of membership in the euro area in EUR.

Prepaid payment instruments

Prepaid instruments such as prepaid mobile phone cards, fuel cards, parking payment cards, public transport tickets/cards, gift cards, vouchers, etc. issued before the introduction of the euro in BGN should be automatically converted or replaced free of charge with instruments in which the amount is converted into euros. With Bulgaria's accession to the euro area, these instruments should be offered only in the new currency.

In cooperation with issuers of prepaid instruments, the relevant control authorities should identify the legislative instruments governing the activities of companies offering or operating prepaid instruments in order to determine any changes caused by the introduction of the euro.

Trade

In order to facilitate the introduction of the euro, from the day of Bulgaria's membership in the euro area, the change in the event of cash payment should be paid by the traders only in euro, unless for practical reasons this cannot be done. To this end, companies and traders will be provided with euro banknotes and coins before the date of the euro adoption. Furthermore, in the transitional period of dual circulation the trader will not be obliged to receive in one transaction more than 50 coins in BGN.

6.5 Consumer rights and protection

The responsible WG at the operational level for consumer protection in the process of preparing Bulgaria for membership in the euro area is the Consumer Protection Working Group, with leading institutions the Ministry of Economy and Industry and the Consumer Protection Commission. The working group will focus its work in the following areas:

Correct conversion of prices

Accurate and correct conversion of prices from BGN to EUR according to the above-mentioned principle of "conversion from BGN to EUR" is the main means of preventing the risk of rising prices as a result of the euro adoption. For this reason, consumer protection authorities should strictly monitor compliance with the currency conversion rules.

Dual display of prices

In order to facilitate the adaptation to the new currency and prevent abuse and speculative price increases, the Euro Adoption Law will regulate the obligation for dual display in BGN and EUR of prices and other monetary amounts for payment, credit and debit, accompanied by an explicit indication of the fixed exchange rate.

According to the Commission Recommendation of 10 January 2008 on measures to facilitate the future transition to the euro, the dual display period should begin as soon as possible after the Council has formally adopted the irrevocably fixed exchange rate of the lev to the euro, and should remain in force for a period of at least six months and a maximum of one year after the euro introduction. After this period, the dual display should be abolished in order to give citizens the opportunity to become fully accustomed to the new currency.

In Bulgaria, the obligation for dual display of prices is planned to take effect 30 calendar days after the Council decision to irrevocably fix the exchange rate of the lev to the euro and will remain in force for 12 months after the adoption of the European single currency. The experiences of the Member States that last introduced the euro show that this practice has worked well and has been effective. It has helped prevent price increases by allowing consumers to easily identify retailers and other businesses that have unduly inflated prices.

Special attention will be paid to traders and service providers who should indicate the prices of their products and/or services in both currencies during the dual display period. In the same period, the display of the prices in BGN and in EUR must be done in the advertising materials that contain information regarding the prices of the advertised services and/or products. Traders and service providers will have some freedom with regard to the form and means of dual display, provided that it is easy to understand, not misleading, written in the same font, shows the fixed exchange rate and does not contain unnecessary information that could confuse customers.

The dual display of prices should also apply to public authorities. During this period, all amounts owed by Bulgarian citizens to the state, including taxes, fees, etc., should be denominated in BGN and EUR. The same applies to the amounts owed by the state to the citizens. Public authorities should also prepare information materials on the dual display of prices and price lists in which prices are written in both currencies.

Control over the replacement and rounding of prices from BGN to EUR

In order to avoid price speculation and excessive inflation, the Ministry of Economy and Industry and/or the Consumer Protection Commission should conduct a study of the prices of the most frequently consumed foodstuffs, basic goods and frequently used services one year before the euro adoption and continue to monitor their change one year after the introduction of the new currency. The results of the price survey and monitoring should be published on the website of the Consumer Protection Commission, on the euro website and through other information channels.

The obligations of traders for the correct recalculation and dual display of prices, as well as possible sanctions for non-compliance with these obligations, will be explicitly described in the Euro Adoption Law, and the Consumer Protection Commission will, as a supervisory body, monitor compliance with these rules. In order to encourage fair traders, the Ministry of Economy and Industry, together with the Consumer Protection Commission and representatives of non-governmental organizations, will organize a Fair Trader campaign with a clearly recognizable cam-

campaign logo. Those traders/service providers who follow the rules for accurate conversion of the prices of their products/services from BGN to EUR, as well as for understandable and correct indication of prices during the dual display period, will receive a Fair Trader sticker to inform consumers that they are participating in the campaign. Traders who intentionally violate the conversion or rounding rules will be sanctioned under the current legislation, and their names will be included in a Black list on the Consumer Protection Commission's website, on the euro website, and through other information channels. The institutions organizing the campaign will be responsible for monitoring the good practices of traders, and citizens will be invited to get involved in the process of collecting and transmitting information.

The results of a survey conducted in the Member States which last introduced the euro show that the risk of rising prices is relatively more pronounced in the services sector, especially in the catering sector, beauty salons, and accommodation and leisure services. Therefore, and on the basis of a risk analysis developed in advance by the Consumer Protection WG, the competent authorities will pay special attention to monitoring the prices of these categories of services, as well as others at higher risk.

Informing consumers

Providing citizens with comprehensive and regular information on price movements will be an important element of consumer protection measures.

The competent authorities will constantly monitor the movement of consumer prices of which they will regularly inform the public. In addition to information on inflation as a cumulative measure of price movements, data on price movements of key categories of goods and services will be published. If Bulgarian citizens are regularly informed about price movements, they are less likely to erroneously believe that the euro introduction has led to a significant increase in the price level and a decline in their standard of living. The results of the price monitoring will be regularly presented to the public, thus reducing public fears that prices will increase in a non-transparent way.

6.6 Communication

Communication and information campaign on the euro

During the accession of the Republic of Bulgaria to the Banking Union and ERM II, a number of public forums were held to explain the role of the euro area and the benefits of our accession to it. However, they were not related to the details the public needs to know about the adoption of the euro as a national currency. Therefore, a national information campaign is planned, which will be aimed at an-

swering all relevant questions that Bulgarian citizens may have, and more specifically as regards to where, when, how, and who will provide assistance, why and how securely public will exchange levs to euro, what processes will take place and how to protect citizens' rights.

The replacement of the lev with the euro will affect every single person living in the Republic of Bulgaria. Therefore, the good awareness of the Bulgarian public about the introduction of the new currency is crucial for the process to succeed. The campaign will be implemented with the joint effort of all responsible institutions.

The information campaign will be aimed at providing accessible, understandable and comprehensive information about the single European currency, Bulgaria's readiness to adopt it, as well as the process of replacing the lev with the euro. Both the changes in the daily life of Bulgarian citizens related to the transition to the single currency and the changes in the Bulgarian monetary policy and economy will be mentioned.

The main focus of the campaign will be on calming the fears of Bulgarian citizens about rising prices as a result of the euro adoption. The fact that there has been no increase in inflation as a result of the introduction of the single European currency in the last countries joining the euro area and that such an increase is not expected in Bulgaria will be made clear. The campaign will also pay close attention to the consumer protection measures. Good awareness and raising knowledge about the euro will help dispel unfounded fears of price increases, provide broad public support for the project, as well as the smooth running of all preparations.

The campaign will also raise awareness about what will happen to deposits and loans, how new prices will be calculated in euros, who will guarantee the process and the way the public will take an active part in it.

The information campaign will be conducted with the primary intention to reach all groups in society.

To this end, the campaign will use various tools and channels of communication: traditional mass media (television, radio, newspapers and Internet), the possibilities of new technologies Internet and social networks, a national website for the euro (euro website) and a telephone line for the euro – a Call Centre will be created, information materials will be printed – incl. posters, brochures and leaflets, and traditional communication techniques will be used for target groups who are not active on the Internet or do not have the skills and technical means to be so.

Representatives of local and regional authorities will also play an important role in informing certain groups, such as the elderly in remote and sparsely populated areas, and will ensure that these people are provided with the necessary information about the euro introduction. The campaign will also use audio-visual and printed materials provided by the European Commission and the ECB.

The communication strategy will be further developed and should cover the following topics and messages:

- Principles and scenarios for the transition to the euro included in the Plan;
- Advantages of the euro, including price stability, elimination of costs related to currency exchange, status of a strong and stable international currency, etc.;
- Characteristics and security features of euro banknotes and coins;
- Exchange rate of euro and lev;
- Dual display of prices;
- Opportunity to file complaints against shops and companies that violate the dual display rule or have incorrectly converted prices from BGN to EUR;
- Time period and places for exchange of banknotes and coins from BGN to EUR.

Principles of the communication campaign

The campaign should be based on the following principles:

- **Transparency and feedback** – the responsible institutions will be accessible to anyone interested in the process of euro introduction and will answer any questions about the euro within their competence.
- **Coherence** – the responsible institutions should not provide conflicting information. The materials prepared according to the information campaign should have a unified design and slogan.¹³
- **Quality of information** – the information provided should be complete, timely and accessible, and tailored to the different target groups.
- **Accessibility of the language** – information related to the adoption of the euro should be accessible to people with special needs. Apart from Bulgarian, the information should be prepared in other languages according to the needs of the population in the country.
- **Efficiency** – information on the euro adoption should be disseminated through the use of information tools and dissemination channels that reach the public and individual target groups most effectively.

¹³ Pursuant to Article 4 (1) of the Commission Recommendation on measures to facilitate the future transition to the euro.

Institutions participating in the campaign

All competent public institutions, as well as a significant part of the private sector, should be directly or indirectly involved in the implementation of the information campaign. In order to ensure the campaign's wide scope, partner institutions should be sought after and mobilized, and they should carry out information activities within their competences. Such are the state and municipal institutions that do not participate directly in the process of introduction of the euro, the media, credit institutions, non-governmental organizations, universities, schools, employers' organizations, trade unions and others.

The repetition of the same information by multiple sources such as the aforementioned partner institutions should help the information reach the widest possible range of Bulgarian citizens.

Financing

The activities related to the implementation of the campaign should be financed by the state budget. The responsible institutions should independently plan their expenditure related to the introduction of the euro within the deadlines and requirements of the budgetary procedure for the year in question. Opportunities for EC funding will also be sought, such as a Partnership Agreement with the EC, under which the Commission can support various activities such as organizing media campaigns, conferences and seminars, as well as producing and distributing publications, printed materials and surveys.

Target groups

The target audience of the campaign should be the entire Bulgarian public. In order to ensure the planned broad scope of the campaign, specific target groups should be identified and given special attention.

The campaign will cover the following target groups: households, pupils and students, public sector representatives, journalists, traders, representatives of credit institutions, payment institutions and e-money companies, tourists, investors, and the general public. According to Article 2 (2) of the Commission Recommendation on measures to facilitate the future transition to the euro, special information programs should be set up for hard-to-reach groups, such as people living in remote and/or less developed areas, ethnic minorities, pensioners, people with special needs (suffering from physical, sensory or mental illnesses), and citizens for whom access to information is more difficult, such as prisoners, the homeless, etc.

Public opinion surveys

Surveys should be carried out to monitor public opinion and awareness of the introduction of the euro. The information from the surveys should be analysed with

a view to the timely adaptation of the information and communication campaign to the most current public issues and attitudes.

Phases of the information and communication campaign

1	FIRST PHASE	2	INTENSIVE PERIOD	3	FINAL PERIOD
	Beginning: 18 months before the introduction of the euro End: 6 months before the introduction of the euro		Beginning: 6 months before the introduction of the euro End: 1 month after the introduction of the euro		Beginning: 4 weeks after the introduction of the euro End: 12 months after the introduction of the euro
	Organization and communication activities aimed at acquainting citizens with the general aspects of euro introduction will be carried out.		The activities within the information and communication campaign will be most intensive.		The focus will be on assessing the process of euro introduction, protection of consumers' interests and carrying out final public surveys regarding the new currency.

The information and communication campaign will take place in three phases with the respective indicative deadlines:

First phase – starts approximately 18 months before the introduction of the euro and ends 6 months before the date of the introduction of the euro

During this phase, organizational and communication activities aimed at acquainting citizens with the general aspects of the introduction of the euro will be carried out. Among the main activities are:

- Organization and conducting of public procurements, necessary for effective and successful conducting of the information campaign;
- Creation of a logo and slogan of the information campaign for the introduction of the euro in Bulgaria;
- Creation of a special website for the introduction of the euro in Bulgaria (euro website), where citizens will be able to receive information related to the euro, as well as subsequently submit complaints and alerts about unfair traders who do not indicate prices in both currencies and/or have incorrectly converted their prices from BGN to EUR, etc.;
- Educating the population on the benefits and costs of adopting the single currency;
- Informing the public how long the Bulgarian lev will be legal tender;

- Clarification of the measures that the authorities will take to protect consumers, of which the main one will be the obligation to display prices in BGN and EUR;
- Provision of information aimed at relieving citizens of the erroneous fear that the introduction of the euro will lead to significant price hikes;
- Provision of information on the euro introduction date;
- Warning citizens not to exchange cash before the official day of the introduction of the euro, as the replacement may involve costs and fees;
- Clarifying what will happen to existing BGN deposits, money on accounts and loans, especially with loans with variable interest rates;
- Informing traders that in the period of dual display of prices they will be obliged to indicate and report prices in both currencies;
- Introducing traders to the Fair Trader Campaign, which will become active after the EU Council decides on the irrevocably fixed exchange rate;
- Disclosure by non-banking financial sector entities of the rules applicable to their activities regarding the conversion into euro of financial instruments and other information related to protecting the interests of securities investors, insured and secured persons.
- Conducting an initial independent survey of public sentiment regarding the replacement of the lev with the euro.

Second phase / Intensive period (6 months before the introduction of the euro - 1 month after the introduction of the euro)

During this second phase, the activities within the information and communication campaign will be the most intensive. Efforts will be focused mainly on:

- Informing the citizens about the official fixed exchange rate at which the Bulgarian lev will be converted into euro;
- Informing citizens about the period of dual display of prices and the period in which the lev and the euro will be both legal tender in the country;
- Informing the citizens that during the period of dual circulation it will be possible to pay in both currencies in shops and that after this period the euro will be the only official currency;
- Informing the public that the exchange of cash will be possible free of charge in the banks and offices of Bulgarian Posts EAD within a period of 6 months from the date of introduction of the euro, and afterwards a fee may be applied.

- Acquainting and educating citizens (especially those who handle cash at work) on the distinctive and security features of euro banknotes and coins;
- Urging citizens to keep their money in levs in bank accounts and in accounts with payment institutions and electronic money companies before the day of the introduction of the euro, rather than cash, in order to automatically convert them into euro from the date of euro area membership;
- Issuing a recommendation to the public not to exchange cash before the official introduction of the euro, as the conversion may involve costs and fees;
- Providing an opportunity to lodge complaints in the event of a breach of the dual display rules or unjustified increase/incorrect conversion of prices into euro, as well as inviting citizens to use this opportunity;
- Regular updating of the list of companies participating in the Fair Trader Campaign and the companies on the Black list;
- Acquainting the clients of the enterprises from the non-banking financial sector with the changes applicable in this sector, resulting from the introduction of the euro;
- Holding a major conference on the introduction of the euro two to three months before the official date of entry into the euro area;
- The Euro Day – organized 100 days before the introduction of the euro and including a series of public events across the country;
- Regular independent survey of public attitudes towards the introduction of the euro.

Third phase / Final period (one month after the introduction of the euro – 12 months after the introduction of the euro)

In this phase, the focus will be on assessing the process of euro adoption, protecting consumer interests and conducting final public opinion surveys on the new currency. In particular, the main activities during this period will consist of:

- Publication of data on price movements (in order to eliminate the possible perception that the transition to the euro has greatly increased prices);
- Continuation of the regular updating of the list of companies participating in the Fair Trader Campaign and the companies on the Black list;
- Identification in the media of any inaccurate information about the course and effects of the replacement of the Bulgarian lev with the euro and publication of statements denying inaccurate information;
- Repetition of important information about the deadlines for cash exchange;

- Continuing activities related to informing the public about the security features of the euro;
- Regular independent survey of public attitudes about the effects of the introduction of the euro;
- Evaluation of the information camp.