

CSDs: BNB (Bulgaria), CDAD (Bulgaria)

Date: 30 Dec 2010

SMI Markets: Bulgaria

CMIRR Markets: Bulgaria

Amendments to Law on Payment Systems Transpose Settlement Finality Directive

Following approval of the proposal amending the Law on Payments Services and Payment Systems by the Bulgarian Parliament, the new Law was published in the State Gazette on 28 December 2010. The amendments transpose the elements of the EU Settlement Finality Directive into Bulgarian law.

According to the amended legislation, effective from 30 June 2011, legal definitions of payment and settlement systems will be enforced. Moreover, Chapter 5a 'Finality of Settlement in Payment systems' directs that settlement finality and irrevocability in settlement systems will must be legally defined by each system operator. This should define validity of settlement instructions in relation to time of system entry against time of default of a related participant.

CSD Risk Impact

BNB (Bulgaria)

CSD Rating: A+

CSD Flash Impact: Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A+

Flash Impact = Positive

The amended Law enshines the EU Settlement Finality into local law, defining finality and irrevocability of instructions. In the event of a default, this should provide a clear distinction as to which settlement instructions for or against a defaulting participant should be executed, reducing the likelihood of fails. Accordingly, the impact on Counterparty Risk is 'Positive'.

CDAD (Bulgaria)

CSD Rating: A

CSD Flash Impact: Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = Positive

The amended Law enshines the EU Settlement Finality into local law, defining finality and irrevocability of instructions. In the event of a default, this should provide a clear distinction as to which settlement instructions for or against a defaulting participant should be executed, reducing the likelihood of fails. Accordingly, the impact on Counterparty Risk is 'Positive'.

Market Information Impact

Bulgaria

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Bulgaria

Market Rating: A-

Market Flash Impact: Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = Positive

The Law will provide for a reduction in the risk associated with payment and securities settlement systems, in particular the risk linked to the insolvency of a participant. Accordingly, the impact on Counterparty Risk is 'Positive'.

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