

CSDs: CDAD (Bulgaria)

Date: 21 Mar 2013

SMI Markets: Bulgaria

CMIRR Markets: Bulgaria

Amendments to Central Depository Legislation

In an update to our previous newsflash, the amendments to Ordinance 8 on the Central Securities Depository operations introduced by the Financial Supervision Commission (FSC) were published in the Government Gazette on 12 March 2013.

The most important changes introduced by the FSC Ordinance are:

- The Central Depository AD (CDAD) registration system can now include omnibus accounts. However, only foreign banks, foreign investment intermediaries and other foreign firms that offer depository or custody services in their own country will be allowed to hold omnibus accounts. The omnibus accounts shall be registered in the name of CDAD members or of CDAD members' clients. Relevant provisions for the inclusion of omnibus accounts must be made in CDAD Rules;
- The creation of a settlement guarantee fund by the CDAD. The guarantee fund will be managed by CDAD and it will be funded by CDAD members;
- Settlement finality will be regulated in accordance to the Payment Services and Payment Systems Act;
- CDAD would have to report to FSC any net short positions, according to EU legislation on short selling;
- FSC will have sole supervision of the CDAD activities, instead of the current joint oversight by FSC, the Ministry of Finance and the Bulgarian National Bank;
- CDAD's Fee Schedule will be excluded from the CDAD Rules and consequently, it will not be subject to FSC approval.

The new Ordinance is effective as of 15 March 2013. The CDAD must adjust its activities in accordance with the requirements of the amended Ordinance within three months. In addition, the CDAD has a six-month window to adopt new general terms to its agreements, to conclude new agreements with existing issuers and members and to set up the settlement guarantee fund.

CSD Risk Impact

CDAD (Bulgaria)

CSD Rating: A

CSD Flash Impact: Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = Positive

The introduction of a settlement guarantee fund would provide extra safety for all counterparties in the case of a counterparty default. In addition, the regulation on settlement finality aligns the Bulgarian market with the European directives. Both these changes have a 'Positive' impact on Counterparty Risk.

Although omnibus accounts are already used in the market, there is currently no specific regulation in place. Therefore, the introduction of a regulatory framework for the maintenance of those accounts will support their use, which is regarded as positive from an asset safety perspective.

Market Information Impact

Bulgaria

This information affects the data contained in the Settlement and Safekeeping/Post 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

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Related Flash: [FSC Publishes Consultation Paper on Central Depository Legislation Changes, 16/01/2013 \(click to view\)](#)

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