

Standard Summary Project Fiche

1. Basic Information

1.1 CRIS Number (Year 1): BG2004/016-711.02.02

1.2 Title:

Strengthening of the administrative capacity of the Financial Supervision Commission to implement the acquis in the field of securities, pension and insurance

1.3 Sector: Internal Market and Economic Criteria

1.4 Location: Bulgaria, Sofia

1.5 Duration: 24 months

Year/phase 1 – 2004

Year/phase 2 - 2005

2. Objectives

2.1 Overall Objective(s):

Preparation of the Bulgarian non-banking financial sector for its accession to the Single European Market of financial services.

2.2 Project purpose:

Strong and efficient supervisory and regulatory framework for the operation of the non-banking financial sector at the level of the EU standards.

2.3 Accession Partnership (AP) and NPAA priority (and implementing measures envisaged by the Action Plan for AP priorities related to strengthening administrative and judicial capacity)

Accession Partnership (2003) priority:

Economic Criteria - Developing financial intermediation and the non-banking financial sector
Freedom to provide services - Fully align legislation on financial services with the acquis, including with the new Directives or Regulations adopted as part of the Financial Services Action Plan. Pursue the strengthening and independence of the financial supervisory bodies. Transpose further the acquis in the field of insurance services.

2.4 Contribution to National Development Plan (and/or Structural Funds Development Plan/SDP)

N.a.

2.5 Cross Border Impact

N.a.

3. Description

3.1 Background and justification:

Following the negotiations with the EU on Chapter 3 “Freedom to Provide Services”, Republic of Bulgaria has committed itself to harmonize its legislation with the relevant European regulations referring to the financial markets. The European Commission has estimated in its Regular Report 2003 that most of the Acquis on insurance remains to be transposed and the Acquis on securities should be completed. The newly established Financial Supervision Commission - FSC (operational since March, 2003), which is the Bulgarian non-banking financial regulator and supervisor, is the responsible institution for the introduction and implementation of this part of the Acquis.

Although the efficiency of the non-banking financial supervision has been significantly improved with the establishment of the new FSC, the remaining 3 years till accession (assuming accession to the EU in January 2007) are to be critical for the implementation of EU acquis in this area where substantial legislative work is to be done. At the same time, in its continuous attempts to implement the EU practices, the Bulgarian non-banking financial market regulator should handle problems typical for the early stages of life, like lack of experience, insufficient coordination between its different departments, lack of trained personnel, poor database, unfamiliarity with the good international practices, lack of public and business awareness of the accession process and the changes that are to be done on the financial market.

In addition to the insufficient administrative capacity to introduce and implement the Acquis, the FSC lacks modern technologies and information infrastructure. As a result, FSC's supervisory practices are far behind the risk-based approach that is being implemented worldwide and that is designed to protect not only the clients and the shareholders of one financial company but the whole financial system. The underdeveloped information system of the FSC is a major obstacle for efficient and effective supervision. At the same time, the insufficient resources for investments and for attracting qualified IT staff will prevent the FSC to deal with this problem on its own.

Following the peer review visit to Bulgaria in the financial services sector, which took place from 18 to 22 November 2002, a report has been drafted by the team of experts and has been approved by a wider group of financial services supervisors from the Member States. The report contains number of specific recommendations as regards steps to be taken by Bulgaria to bring the supervisory standards more closely into line with best international practice. Many of the Peer Review Report recommendations have been accomplished by the FSC. However, substantial work remains to be done, as it is confirmed in the report of the Follow-up Peer Review held on 1-5 December 2003. The recommendations that have not yet been implemented refer to the strengthening of FSC's staff resources, including the use of overseas assistance for training and consultations, strengthening of Commission's enforcement powers through training the staff to select the most appropriate cases, training in EU legislation on compensation schemes for investors, implementation of the legislation relating to insider trading and market abuse, upgrade of the IT system, introduction of risk-based approach to determine the frequency and the focus of inspections, further education of company directors, managers, investment intermediaries etc.

The experts of FSC prepared an “Action Plan”, which set out the practical steps needed for the recommendations to be implemented, together with a timetable for their implementation. However, in order to implement the Action Plan the FSC will need technical and investment assistance. A Phare funded project appears to be an opportunity for the FSC to succeed in accomplishing its accession obligations till 2007 and its duties, once it becomes regulatory and supervisory authority on the Single European Market for services.

3.2 Sectoral rationale

N.A.

3.3 Results:

The specific results pursued by the current project are:

Sub-project 1. Twinning – institution building:

The twinning component is expected to complete the following results:

- Bulgarian legislation relating to securities, insurance and pension is harmonized with the EU legislation;
- The FSC has appropriate mechanisms to further develop, enforce and implement EU compliant national policy in the non-banking financial sector;
- The staff of the FSC is trained to implement EU compliant financial market legislation, and best practices;
- FSC has enough capacity to participate actively in the work of the international regulators’ organisations, incl. the Committee of European Securities Regulators;
- FSC has appropriate mechanisms to exchange information and assist in other ways Member State’s supervisory authorities;
- The business and the public are aware of and convinced in the need of the changes on the market that will result from the accession process

Sub-project 2. Investment support:

By the end of the project FSC expects to have complete and reliable information system (software and hardware) for supervised entities data accumulation, market surveillance and risk-based supervision. The project is expected to have the following results:

- Security level of information increased;
- Full multifunctional database with FSC’s records created;
- Web-based portal built as a medium for supervised entities information disclosure;
- System for analysis and control of financial data, risk assessment with statistical application introduced;
- IT staff trained to manage the new systems.

3.4 Activities:

Sub-project 1. Twinning – institution building:

- Review of the regulatory background of the financial market and assessment of the status of harmonization with EU requirements;
- Writing legal texts (as defined in Annex 6);
- Preparing instructions for the implementation of the EU legislation;
- Organization of workshops and seminars for the business on the new regulations;

- Organisation of seminars and educational campaigns for the public (particularly for students) on EU standards and legal framework, incl. producing TV and radio programmes;
- Analysis of the FSC staff skills and qualification and conducting respective training programme, focused on the EU financial market regulations and their implementation;
- Training of FSC staff responsible for drafting regulations in securities and insurance (incl. pension) in Community law, including through internships in EU member state institutions¹;
- Drafting and implementing of a program to promote regional and international cooperation in the field of financial market supervision,
- Organising international forums, in particular meetings of the Capital Markets Consultative Group;
- Preparing and signing of Memoranda of Understanding with partner supervisory authorities;
- Methodological assistance for the Memoranda of Understanding implementation, including staff training.

Sub-project 2 – Investment support:

- Procurement of technical equipment for FSC's public register, for the financial analysis and risk assessment system and for the electronic records (needs will be reviewed by independent expert as described in item 11.4.);
- Renovation of the passive and active network devices and procurement of a Mail Server;
- Building of internal PKI (Public Key Infrastructure) system;
- Creating of electronic records of FSC (including scanning of the present hard copies records);
- Developing a system for administration of the electronic records;
- Developing of web-based portal, through which FSC's supervised entities to disclose information to the FSC;
- Developing a system for automation and optimization of the analytical process, retrieval of various data reports, risk management, market surveillance and statistics;
- Training of the technical staff,

3.5 Linked activities:

The project will build on findings and recommendations of two consecutive Phare projects carried out in the Insurance Supervision Directorate (later on transformed into Insurance Supervision Agency and now merged in the FSC) in 1998 and 1999, namely BG 9805-01-03-02/01 "Strengthening of the Insurance Supervision Directorate at the Ministry of Finance" and BG 99/IB/FI/06 a Twinning contract "Strengthening of the Insurance Supervision Directorate at the Ministry of Finance". These projects were implemented at the very beginning of the existence of insurance supervisory and regulatory institution in Bulgaria.

¹ The different background, expertise and level of responsibilities of the law and enforcement officers coming from the three different agencies that merged within the FSC create tremendous obstacles for the process of regulations drafting. Simple educational courses attended by single staff members add little value to the overall level of expertise. Therefore, the current project addresses the necessity of specialized long-term training campaign for all staff involved in particular activity and practical training in the Member State institutions

They focused on setting up of modern legislation in the insurance sector. Also the staff of the Insurance Supervision Directorate was familiarized with the basic concepts of the *acquis communautaire* in the field of insurance. The current project will develop the existing legislation and will target full harmonisation of this legislation with the *acquis*. Moreover, the staff will be trained how to implement this legislation and how to develop it.

Other projects carried on in the FSC's predecessors:

State Securities Commission (now merged in the FSC) was beneficiary in USAID-funded “Capital Markets Regulations Project”, realized by Financial Markets International, Inc.

Social Insurance Supervision Agency (now merged in the FSC) is beneficiary in USAID-funded “Labor Market Project”, which is being realized by Carana Corporation.

3.6 Lessons learned:

FSC is a new institution. Only the Insurance supervisors (now merged within the FSC) have previously had PHARE-funded project, but they represent only 15% of FSC's staff. Therefore, no lessons learned could apply for the whole FSC.

4. Institutional Framework

As of March 1st, 2003 is in force the Law on the Financial Supervision Commission. Under it a Financial Supervision Commission (FSC) is established. The FSC is a specialized state body for regulation of and supervision over the activities of:

- ✓ the regulated securities markets,
- ✓ the Central Depositary,
- ✓ the investment intermediaries,
- ✓ the investment and management companies,
- ✓ the natural persons who directly execute transactions in securities and provide investment advice,
- ✓ the public companies and other securities issuers
- ✓ the insurers,
- ✓ the insurance brokers and insurance agents;
- ✓ the companies carrying out activities concerning the supplementary social insurance, including the pension, and for unemployment and professional qualification, as well as of the managed by them funds.

As an administrative structure the FSC is a collective body and consists of seven members: chairman, three deputy chairmen and three other members. The total number of the Commission's staff on the pay-roll is 203, allocated in divisions. Three main divisions have been set up in the FSC – “Investment Supervision”, “Insurance Supervision” and “Social Insurance Supervision”, each being directly led by a deputy chairman of the Commission.

The FSC, in the fulfillment of its powers, is independent of the executive power and reports on its activities under this Law to the Parliament. It is funded partly by taxes from the business and partly by the state budget. FSC has a separate budget, which makes part of the consolidated government budget. It is voted by the parliament and the government (through the Ministry of finance) can only give opinion on it.

5. Detailed Budget (in mln. Euro)

Year 1/Phase 1	Phare Support					
	Investment Support	Institution Building	Total Phare (=I+IB)	National Co-financing*	IFI*	TOTAL
Contract 1- Twinning	-	1.3	1.3	*	-	1.3
Total	-	1.3	1.3		-	1.3
Year 2/Phase 2	Indicative Phare Support					
Contract 1- Supply	0.525	-	0.525	0.175	-	0.7
Total	0.525	-	0.525	0.175	-	0.7
Total - two years	0.525	1.3	1.825	0.175	-	2.0

* National co-financing will be 25% of the budget of the investment component and up to 10% of the budget of the Twinning component will be provided from the State budget through the “National Fund” Directorate at the Ministry of Finance.

* Co-financing for the supply component will be tendered jointly with Phare funds.

6. Implementation Arrangements

6.1 Implementing agency:

The Implementing Agency for this project will be the Central Finance and Contracts Unit (CFCU) at the Ministry of Finance. The CFCU will be responsible for the tendering, contracting and payment activities under the project.

Contact details:

Mr. Vladimir Valchev

CFCU Director

102, Rakovski str., 1040 Sofia, Bulgaria

Tel: +359 2 9859 2772, 359 2 9859 2777

Fax: +359 2 9859 2773

Programme Authorising Officer (PAO):

Mr. Tencho Popov

Secretary General of the Ministry of Finance

102, Rakovski str., 1040 Sofia, Bulgaria

Tel.: + 359.2.9859 2012

Fax: +359.2.987 3929

The Beneficiary will be responsible for preparing the Technical Specifications and the Terms of Reference for each of the contracts under the project.

The FSC Project Implementation Unit (PIU) will be the main contact point for all official communications between the Consultant and the FSC concerning the implementation and management of the project.

The contact persons for the project are:

- ✓ Ms. Nina Koltchakova-Director “International Co-operation and public relations”, Financial Supervision Commission, Sofia 1000, 6 Sv. Nedelja Sq., tel: +359 2 94 04 601, fax: +359 2 980 69 54, e-mail: koltchakova_n@fsc.bg,
- ✓ Ms. Nadya Velinova-Head of International Co-operation Department, Financial Supervision Commission, Sofia 1000, 6 Sv. Nedelja Sq., tel: +359 2 94 04 771, fax: +359 2 980 69 54, e-mail: velinova_n@fsc.bg.
- ✓ Mr Roumen Nikolov – Director “Information Technologies and Registrars”, Financial Supervision Commission, Sofia 1000, 6 Sv. Nedelja Sq., tel: +359 2 94 04 790, fax: +359 2 980 69 54, e-mail: nikolov_r@fsc.bg – contact person only for IT matters

6.2 Twinning

Contract 1 for 2004 will be carried out through a twinning arrangement between a financial supervisory body of one or more EU member states and the Financial Supervision Commission as beneficiary institution.

All Twinning components will include a Member State Project Leader, who continues to work in his/her Member State administration but who devotes some of his/her time to conceiving, supervising and co-ordinating the overall implementation of the project. She/he will be complemented by at least one full-time expert - a Pre-Accession Advisor (PAA), from a Member State to work on a day-to-day basis with the beneficiary and accompany the implementation of the twinning project. The stay of the PAA is foreseen to be at least 21 months.

PAA Profile:

- ✓ High level official from an institution in a Member State, responsible for financial markets regulation and supervision (at least 7 years of experience);
- ✓ Relevant education or experience in business administration;
- ✓ Familiar with EU legislative process, regulatory system and cooperation practices at EU level;
- ✓ Experienced in implementation of EU Phare Programme;
- ✓ Fluent in English.

Short Term EU Experts:

- ✓ The team will include specialist advisors to support the relevant activities of the Project.
- ✓ Language proficiency: Fluency in English;

Short Term Local Experts:

- ✓ Team for technical, administrative, judicial and financial and information support in all main activities of the project.
- ✓ Language proficiency: Fluency in English;

Local Support Staff:

- ✓ Staff to assist the PAA and project team on site for the entire duration of the project providing general project support, perform necessary administrative and secretarial duties, as well as translation between Bulgarian English for project related documentation and ad-hoc interpretation as necessary during the meetings.

Project Leader from the side of the beneficiary, responsible for the substance and the progress of the project will be the Chairman of the FSC. The FSC will also establish special organizational structure for the technical management and monitoring of the project, which comprises the Project Leader, a Steering Committee, a Programme Implementation Unit (PIU) and dedicated Project Implementation Team.

The Project Steering Committee (PSC) will be established for the strategic management of the project. The PSC will be a policy and decision making body. The main functions of the PSC will be as follows:

- ✓ providing guidance for the different phases of the project
- ✓ approval of the progress reports that concern the overall implementation on a quarterly basis;
- ✓ recommendations for the improvement of the project implementation;
- ✓ counseling on problem issues;

The Project Steering Committee will be chaired by the Chairman of the FSC and will include representatives of the Investment supervision division at the FSC, Insurance supervision division at the FSC, Social insurance supervision division at the FSC, International co-operations and public relations directorate at the FSC, Information technologies directorate at the FSC, Human resources directorate at the FSC and the Chief accountant of the FSC, National Fund directorate at the Ministry of Finance, CFCU, European integration and relations with the international financial institutions directorate at the Council of Ministers. Representatives of the EC Delegation and of the Management of the EU Funds Directorate at the Ministry of Finance will participate at the PSC as observers. The Steering Committee will meet on a regular basis or in force majeure situation. When important matters are to be concerned the chairman or 2/3 of the PSC members could convene the PSC for a meeting. The PSC will take its decisions with simple majority.

The PIU will carry out the day-to-day management of the project. Its role will be to administer and resolve all issues, concerned with the management of the project, including participation in the planning and identification of tasks, reporting, coordination of the work on the preparation of Terms of Reference, and participation in tendering, monitoring and evaluation of the activities.

6.3 Non-standard aspects

No non-standard aspects are foreseen

6.4 Contracts

Year	Number of contracts	Value in €
Year 1 -2004	Contract 1 – Twinning contract	1.3 m
Year 2 -2005	Contract 1 – Supply contract	0.7 m
Total - two years	2 contracts	2.0 m

7. Implementation Schedule

7.1 Start of tendering/call for proposals

 Twinning contract– first quarter 2005

 Investment supply - last quarter 2005

As defined in Annex 2

7.2 Start of project activity

Twinning contract – second quarter 2005

Investment supply - last quarter 2005

7.3 Project completion

Twinning contract– last quarter 2006

Investment supply - first quarter 2007

8. Equal Opportunity

Men and women will have an equal opportunity to participate in all phases of the project's implementation. The assessment of all, men and women, would be in conformity with FSC's procedures for assessment of the staff performance that are uniform for all the personnel.

9. Environment

The project will not have any environmental effects.

10. Rates of return

N.a.

11. Investment criteria

11.1 Catalytic effect:

The availability and the operation of a developed financial market and supervisory authority is an important prerequisite for the attraction of foreign investments in the country and for our quicker integration in the world economy, including our accession to the European Union. In the absence of Phare funding the project would not have been possible or would have been considerably delayed. Such delay would have negative effect on Bulgaria's accession schedule.

11.2 Co-financing:

National budget:

- 10% for the Twinning contact
- 25 % for the Supply contact

11.3 Additionality:

N.a.

11.4 Project readiness and size:

Upon approval of the proposed project, the preparation will start of the terms of reference for the specific contracts. Twinning partner and investment contract provider will be selected through a tender.

Information technologies and registers directorate at the FSC had prepared a "pre-feasibility study" for investment needs. However, before the project initiation a new pre-feasibility study

will be done by independent experts. A new independent analysis and assessment of FSC's information systems is expected to be one of the results of a 9-month project, financed by FIRST Initiative¹ that is to start in early-summer in the FSC.

The total value of the investment support for this project is EUR 0.7mn. PHARE funding for the investment contract is EUR 0.525mn.

11.5 Sustainability:

The project activities are in line with EU sector policy acquis. The Financial Supervision Commission is in a position to effectively sustain the project deliverables and maintain the delivered equipment in the long run. All supported investment actions are sustainable in the long term beyond the date of accession. They comply with EU norms and standards.

11.6 Compliance with state aids provisions

N.a.

12. Conditionality and sequencing

The successful implementation of the project requires the full commitment of the FSC members and staff. FSC management will provide full support to facilitate the work of the outside consultants and experts, working for the Phare program. The project would require additional staff to be involved in its management.

Prior to the initiation of Sub-project 2 – Investment support, an independent needs assessment will be conducted. The amount of funds foreseen for IT may be revised following the independent review (as stipulated in item 11.4).

ANNEXES TO PROJECT FICHE

1. Logical framework matrix
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter
4. Standard Summary Project Fiche
5. List of relevant Laws and Regulation

¹ **The Financial Sector Reform and Strengthening (FIRST) Initiative** is a donor programme, supporting capacity building and policy development projects in the financial sectors in developing countries. FIRST provides technical assistance grants for short and medium-term projects in the areas of financial sector regulation, supervision and development.

ANNEX 1. Logical framework matrix

Phare log frame

LOGFRAME PLANNING MATRIX FOR Project	Programme name and number	
Strengthening of the administrative capacity of the Financial Supervision Commission to implement the acquis in the field of securities, pension and insurance	Contracting period (year 1, year 2) expires: end - 2005	Disbursement period (Year 1 - 3) expires: end Q1 - 2007
	Total budget year 1 : €1.3 m year 2 : €0.7 m	Phare budget year 1: €1.3 m year 2: €0.525 m

Overall objective	Objectively verifiable indicators	Sources of Verification	
Preparation of the Bulgarian non-banking financial sector for its accession to the Single European Market of financial services.	<ul style="list-style-type: none"> - Share of the capital market in the GDP exceeds 10% - Share of the pension funds assets in the GDP exceeds 2.5% - Insurance penetration exceeds 2.5% 	<ul style="list-style-type: none"> - EC review and reports - trade statistics - National Statistical Institute - Stock Exchange Bulletin - FSC Annual Report 	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Strong and efficient supervisory and regulatory framework for the operation of the non-banking financial sector at the level of the EU standards.	<ul style="list-style-type: none"> - Increased number of the financial market participants; - Remainder of Acquis in Freedom to Provide Services and Free movement of capital - Easier access to the information - Progress of the pre-accession negotiation with EU concerning Chapters 3 	<ul style="list-style-type: none"> - State Gazette - Assessment of the administrative capacity - Monitoring by delegation – EC reports - Report from IT Directorate for use of information - Annual Report of the FSC - FSAP - Assessment of the Implementation of the IOSCO Objectives and Principles 	<ul style="list-style-type: none"> - Long-term guarantees for high administrative capacity of the FSC - Output relevant to financial market needs

	and 4 - Number of trained staff according European standards procedures		
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
Sub-project 1. Twinning – institution building: <ul style="list-style-type: none"> - Bulgarian legislation relating to securities, insurance and pension is harmonized with the EU legislation; - The FSC has appropriate mechanisms to further develop, enforce and implement EU compliant national policy in the non-banking financial sector; - The staff of the FSC is trained to implement EU compliant financial market legislation, and best practices; - FSC has enough capacity to participate actively in the work of the international regulators' organisations, incl. CESR; - FSC has appropriate mechanisms to exchange information and assist in other ways Member State's supervisory authorities; - The business and the public are aware of and convinced in the need of the changes on the market that will result from the accession process 	<ul style="list-style-type: none"> - Number of legislative acts developed - Number of staff trained - Number of Memoranda of Understanding (MOU) signed - FSC joins IOSCO (International Organization of Securities commissions) MOU - FSC joins CESR as observer 	<ul style="list-style-type: none"> - State Gazette - Regular reports of EC - Bulgarian Financial Services review Report by EC - Annual report of FSC - Monitoring by delegation - Assessment of the administrative capacity - FSC's public register 	<ul style="list-style-type: none"> - A number of strengths already exist in the area, like institutional regulatory and market infrastructure; - FSC's powers in accomplishing its functions will increase, pursuant from the new legislation - Certain financial offences will be incriminated and the efficiency of the judiciary system will increase following the implementation of the Acquis in the field of Judiciary; - Changes in economic environment will not prejudice implementation; - New staff will join the FSC
Sub-project 2. Investment support: <ul style="list-style-type: none"> - Security level of information increased; - Full multifunctional database with FSC's records created; - Web-based portal built as a medium for supervised entities information disclosure; - System for analysis and control of financial data, risk assessment with statistical application introduced; 	<ul style="list-style-type: none"> - Fully electronic exchange of information with the supervised entities; - Immediate announcement of price sensitive information; - Number of prescriptions for elimination of 		

<ul style="list-style-type: none"> - IT staff trained to manage the new systems. 	<p>irregularities and financial sanctions imposed penalties increases</p> <ul style="list-style-type: none"> - Number of inspections increases by 30% - Lower cost of the offered services to the business and the public; 		
Activities	Means		Assumptions
<p>Sub-project 1. Twinning – institution building :</p> <ul style="list-style-type: none"> - Review of the regulatory background of the financial market and assessment of the status of harmonization with EU requirements; - Writing legal texts (as defined in Annex 6); - Preparing instructions for the implementation of the EU legislation; - Organization of workshops and seminars for the business on the new regulations; - Organisation of seminars and educational campaigns for the public on EU standards and legal framework; - Analysis of the FSC staff skills and qualification and conducting respective training programme, focused on the EU financial market regulations and their implementation; - Training of FSC staff responsible for drafting regulations in securities and insurance (incl. pension) in Community law, including through internships in EU member state institutions; - Drafting and implementing of a program to promote regional and international cooperation in the field of financial market supervision, 	<p>Twinning contract</p>		<ul style="list-style-type: none"> - Strict monitoring over the implementation of the project - Effective co-operation with other institution, incl. Bulgarian National Bank, Chief Prosecutor's Office, etc. - Provided know-how and expertise by the twinning partner will be of high quality - Commitment of FSC's management to the project goals - Successful voting by the Parliament of new legislation

<ul style="list-style-type: none"> - Organising international forums, in particular meetings of the Capital Markets Consultative Group; - Preparing and signing of MoUs (memoranda of Understanding) with partner supervisory authorities; - Methodological assistance for the MoUs implementation, including staff training <p>Sub-project 2 – Investment support:</p> <ul style="list-style-type: none"> - Procurement of technical equipment for FSC’s public register, for the financial analysis and risk assessment system and for the electronic records (see technical specifications in Annex 4); - Renovation of the passive and active network devices and procurement of a Mail Server; - Building of internal PKI (Public Key Infrastructure) system; - Creating of electronic records of FSC (including scanning of the present hard copies records); - Developing a system for administration of the electronic records; - Developing of web-based portal, through which FSC’s supervised entities to disclose information to the FSC; - Developing a system for automation and optimization of the analytical process, retrieval of various data reports, risk management, market surveillance and statistics; - Training of the technical staff 	Supply contract		
			Preconditions
			<ul style="list-style-type: none"> •

ANNEX 2
DETAILED IMPLEMENTATION CHART

Contract	NAME	2005				2006				2007			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Twinning :												
2004	Selection of twinning partner	T	C										
	PAA		I	I	I	I	I	I	I				
	Experts for review of regulatory background		I	I									
	Experts for legislation drafting and instructions preparation	During the whole project -I											
	Seminaries for the business	With the implementation of new legislative texts											
	Producing TV and radio programmes					I			I				
	Organising training courses for students				I		I						
	Training for the staff on the new regulations implementation				I	I	I	I	I				
	Drafting of guidelines in EU standard procedures			I	I								
	Training for the staff on regulations drafting and transposition, workshops and study visits				I	I	I	I	I				
	Expert in international co-operation practices and common investigations, Memoranda of Understanding drafting, staff training		I	I	I								
	Implementation of a programme for regional co-operation, international forums organisation				I	I	I	I	I				
1	Supply :												
2005	Technical Specification				T								
	Purchasing & Software delivery				T/C								
	Program analysis				I	I							
	Hardware providing					I							
	Building of internal PKI					I							
	Developing of web-based portal for information exchange					I	I						
	Creating of electronic records of FSC				I	I	I	I	I				
	Data base design						I	I					
	Setting up data base management and admin. applications						I	I	I				
	Pilot test & adjustments								I	I			
	Put into operational service									I			
	Training of the technical staff					I	I	I	I	I			
	System modifications & Documentation									I			

T	Tendering
C	Contracting
I	Implementation

ANNEX 3. Contracting and disbursement schedule by quarter

1.1. Contracting and disbursement schedule by quarter for full duration of programme

Project title: Strengthening of the administrative capacity of the Financial Supervision Commission to implement the Acquis in the field of securities, pension and insurance															
Contracting	Cumulative contracting schedule by quarter in €m (provisional)														Total
	2003		2004				2005				2006				
	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Contract under Twinning Component								1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
Contract under Supply Component									0.70	0.70	0.70	0.70	0.70	0.70	0.70
Total contracting:															2.00
Disbursement	Cumulative disbursement schedule by quarter in €m (provisional)														Total
	2003		2004				2005				2006				
	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Contract under Twinning Component								0.78	0.78	1.17	1.17	1.17	1.30	1.30	1.30
Contract under Supply Component										0.42	0.42	0.63	0.63	0.70	0.70
Total disbursement								0.78	0.78	1.59	1.59	1.80	1.93	2.00	2.00

Annex 4- Standard Summary Project Fiche
SHORT SUMMARY

1. Project title:

Strengthening of the administrative capacity of the Financial Supervision Commission to implement the acquis in the field of securities, pension and insurance

2. Programming sector/Sectoral indicative programme: 6. Acquis - Others

3. Project phases: Year/phase 1 – 2004; Year/phase 2 – 2005

4. Short summary of the project activities:

- Drafting legislation;
- Drafting procedures;
- Implementation of Directives in the field Freedom to provide services, particularly concerning securities and insurance;
- Training the staff new regulations;
- Organisation of workshops, seminars, educational campaigns;
- Training the staff in international co-operation practices and drafting MoUs;
- Procurement of hardware and software;
- Developing the information system.

5. Bulgarian counter-part: Financial Supervision Commission

6. Contact person responsible for the PF:

Name	Institution	Tel	Fax	E-mail
Nadya Velinova	Financial Supervision Commission	+ 359 2 94 04 771	+ 359 2 980 69 54	velinova_n@fsc.bg
Nina Koltchakova	Financial Supervision Commission	+ 359 2 94 04 601	+ 359 2 980 69 54	koltchakova_n@fsc.bg

7. Envisaged contracts/Budget

Year 1/Phase 1	Phare Support					
	Investment Support	Institution Building	Total Phare (=I+IB)	National Co-financing*	IFI*	TOTAL
Contract 1 – Twinning	-	1.3	1.3	*	-	1.3
Total	-	1.3	1.3		-	1.3
Year 2/Phase 2	Indicative Phare Support					
Contract 1- Supply	0.525	-	0.525	0.175	-	0.7
Total	0.525	-	0.525	0.175	-	0.7
Total - two years	0.525	1.3	1.825	0.175	-	2.0

* National co-financing will be 25% of the budget of the investment component and up to 10% of the budget of the Twinning component will be provided from the State budget through the “National Fund” Directorate at the Ministry of Finance.

* Co-financing for the supply component will be tendered jointly with Phare funds.

Annex 5 List of EU-Relevant Laws and Regulation

EU Regulation	Harmonized Bulgarian Legislation	New Bulgarian Legislation to be prepared
Securities		
<p>Council Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investments firms and credit institutions</p> <p>Directive 98/31/EC of the European Parliament and of the Council of 22 June 1998 amending Council Directive 93/6/EEC on the capital adequacy of investment firms and credit institutions</p> <p>European Parliament and Council Directive 95/26/EC of 29 June 1995 amending Directives 77/780/EEC and 89/646/EEC in the field of credit institutions, Directives 73/239/EEC and 92/49/EEC in the field of non- life insurance, Directives 79/267/EEC and 92/96/EEC in the field of life assurance, Directive 93/22/EEC in the field of investment firms and Directive 85/611/EEC in the field of undertakings for collective investment in transferable securities (Ucits), with a view to reinforcing prudential supervision</p>	<p><i>Law on Public Offering of Securities</i> <i>Ordinance No 06 on the Capital Adequacy and Liquidity of Investment Intermediary</i></p>	<p>Guideline for the implementation of the Directive 98/33/EEC in connecting with the define OTC derivatives and calculation of the capital adequacy of the OTC derivatives.</p> <p>+ Draft Code on Insurance</p>
<p>Council Directive 79/279/EEC of 5 March 1979 coordinating the conditions for the admission of securities to official stock exchange listing</p> <p>Council Directive 82/121/EEC of 15 February 1982 on information to be published on a regular basis by companies the shares of which have been admitted to official stock-exchange listing</p> <p>Council Directive 88/627/EEC of 12 December 1988 on the information to be published when a major holding in a listed company is acquired or disposed of</p> <p>Council Directive 89/298/EEC of 17 April 1989 coordinating the requirements for the drawing-up, scrutiny and distribution of the prospectus to be published when transferable securities are offered to the public</p> <p>Council Directive 89/592/EEC of 13 November 1989 coordinating regulations on insider dealing</p> <p>Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor-compensation schemes</p>	<p><i>Law on Public Offering of Securities</i></p> <p>+ <i>Ordinance 2 on the Prospectuses for Public Offering of Securities and the Information to be Disclosed by Public Companies and Other Issuers</i></p> <p>+ <i>Ordinance N1 on the Requirements Relating to Investment Intermediary Activities</i></p>	
Council Directive 85/611/EEC of 20 December 1985	<i>Law on Public Offering of</i>	Guideline for the

<p>on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)</p>	<p><i>Securities</i></p> <p><i>Ordinance on the Requirements Relating to Investment Company Activities</i></p> <p><i>Ordinance on the Requirements Relating to Management Company Activities</i></p> <p><i>Ordinance 11 on the Licenses for Acting as a Stock-Exchange, OTC, Investment Intermediary, Investment Company, Management Company and special purposes vehicles</i></p> <p><i>Ordinance 2 on the Prospectuses for Public Offering of Securities and the Information to be Disclosed by Public Companies and Other Issuers</i></p>	<p>implementation of the Law on Public Offering of Securities in connecting with the establishment of UCITS under the law of contract (as common funds managed by management companies) or trust law (as unit trust) and UCITS single passport.</p> <p>Draft Ordinance for the amendments of the Ordinance on the Requirements to the Investment Companies' Activities</p> <p>Draft Ordinance for the amendments of the Ordinance on the Requirements to the Management Companies' Activities</p>
<p>Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field</p>	<p><i>Law on Public Offering of Securities</i></p> <p><i>Ordinance N01 on the Requirements Relating to Investment Intermediary Activities</i></p> <p><i>Ordinance No 06 on Capital Adequacy and Liquidity of Investment Intermediary</i></p> <p><i>Ordinance No 07 on the requirements which must be met by natural persons who directly conduct transactions in securities and give investment advice on securities under a contract, and the procedure for acquisition and revocation.</i></p> <p><i>Ordinance No 11 on the Licenses for Acting as a Stock-Exchange, OTC, Investment Intermediary, Investment Company,</i></p>	

	<i>Management Company and special purposes vehicles</i>	
Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities	<i>Law on Public Offering of Securities</i> <i>Ordinance 2 on the Prospectuses for Public Offering of Securities and the Information to be Disclosed by Public Companies and Other Issuers</i> <i>Ordinance on the Admission Requirements for Official Stock Exchange Listing (incorporated in the Bulgarian Rule-Book of the Bulgarian Stock-Exchange-Sofia AD)</i> <i>Ordinance on the disclosure of Major Holding in a Public or Investment Company</i>	
DIRECTIVE 2003/6/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 28 January 2003 on insider dealing and market manipulation (market abuse)		Guideline for the implementation of the Directive 2003/6/EC
DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC		Guideline for the implementation of the Directive 2003/71/EC
Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements		Guideline for the implementation of the Directive 2002/47/EC
Insurance		
<p>Council Directive 64/225/EEC of 25 February 1964 on the abolition of restrictions on freedom of establishment and freedom to provide services in respect of reinsurance and retrocession</p> <p>Council Directive 72/166/EEC of 24 April 1972 on the approximation of the laws of Member States relating to insurance against civil liability in respect of the use of motor vehicles, and to the enforcement of the obligation to insure against such liability</p> <p>First Council Directive 73/239/EEC of 24 July 1973 on the coordination of laws, regulations and administrative provisions relating to the taking-up and pursuit of the business of direct insurance other than life assurance</p> <p>Council Directive 73/240/EEC of 24 July 1973 abolishing restrictions on freedom of establishment in the business of direct insurance other than life assurance</p>	<i>Law on Insurance</i>	<i>Draft Code on Insurance</i>

<p>74/166/EEC: first Commission Decision of 6 February 1974 relating to the application of Council Directive No 72/166/EEC of 24 April 1972 on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles, and to the enforcement of the obligation to insure against such liability</p> <p>74/167/EEC: second Commission Decision of 6 February 1974 relating to the application of Council Directive No 72/166/EEC on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles and to the enforcement of the obligation to insure against such liability</p> <p>75/23/EEC: third Commission Decision of 13 December 1974 relating to the application of the Council Directive of 24 April 1972 on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles and to the enforcement of the obligation to insure against such liability</p> <p>Council Directive 76/580/EEC of 29 June 1976 amending Directive 73/239/EEC on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct insurance other than life assurance</p> <p>Council Directive 77/92/EEC of 13 December 1976 on measures to facilitate the effective exercise of freedom of establishment and freedom to provide services in respect of the activities of insurance agents and brokers (ex ISIC Group 630) and, in particular, transitional measures in respect of those activities</p> <p>First Council Directive 79/267/EEC of 5 March 1979 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct life assurance</p> <p>Second Council Directive 84/5/EEC of 30 December 1983 on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles</p> <p>86/218/EEC: Fourth Commission Decision of 16 May 1986 relating to the application of Council Directive 72/166/EEC on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles, and to the enforcement of the obligation to insure against such liability</p> <p>86/219/EEC: Fifth Commission Decision of 16 May 1986 relating to the application of Council Directive 72/166/EEC on the approximation of the laws of the</p>	<p>+ <i>Ordinance N 04 on the Obligatory Insurance</i></p> <p>+ <i>Ordinance N 04 on the Obligatory Insurance</i></p> <p>+ <i>Ordinance N 04 on the Obligatory Insurance</i></p> <p>+ <i>Ordinance N5 for the activity of insurance broker and insurance agent</i></p> <p>+ <i>Ordinance N 04 on the Obligatory Insurance</i></p> <p>+ <i>Ordinance N 04 on the Obligatory Insurance</i></p> <p>+ <i>Ordinance N 04 on the</i></p>	
--	--	--

<p>provisions relating to direct insurance other than life assurance and amending Directives 73/239/EEC and 88/357/EEC (third non-life insurance Directive)</p> <p>Council Directive 92/96/EEC of 10 November 1992 on the coordination of laws, regulations and administrative provisions relating to direct life assurance and amending Directives 79/267/EEC and 90/619/EEC (third life assurance Directive)</p> <p>93/43/EEC: Commission Decision of 21 December 1992 relating to the application of Council Directive 72/166/EEC on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles and to the enforcement of the obligation to insure against such liability</p> <p>97/828/EC: Commission Decision of 27 October 1997 relating to the application of Council Directive 72/166/EEC on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles, and to the enforcement of the obligation to insure against such liability</p> <p>Directive 98/78/EC of the European Parliament and of the Council of 27 October 1998 on the supplementary supervision of insurance undertakings in an insurance group</p> <p>Directive 2000/26/EC of the European Parliament and of the Council of 16 May 2000 on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles and amending Council Directives 73/239/EEC and 88/357/EEC (Fourth motor insurance Directive)</p> <p>Directive 2001/17/EC of the European Parliament and of the Council of 19 March 2001 on the reorganisation and winding-up of insurance undertakings</p>	<p>+ <i>Ordinance N 04 on the Obligatory Insurance</i></p> <p>+ <i>Ordinance N 04 on the Obligatory Insurance</i></p>	
Pensions		
<p>Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision</p>	<p>Social Insurance Code</p>	<p>Guideline for the implementation of the new pension's Directive</p>

List of the other acts and ordinances

1. Law on the Financial Supervision Commission
2. Rules for the Organization and Operation of the Financial Supervision Commission

Securities

1. Law on Special Purpose Vehicles
2. Ordinance on Tender Offering for the Purchase and Exchange of Shares
3. Ordinance on the Disclosure of Major Holdings in Public and Investment Companies
4. Ordinance on the Conditions and Procedure of Filing in or Deletion of Public Companies, Other Issuers of Securities and Securities Issues in the Register of the Bulgarian National Securities Commission
5. Ordinance on the Central Depository of Securities

Insurance

1. Ordinance for Determent the Own Resources, Solvency Margin and Its Calculation By the Insurance and Health-insurance Companies
2. Ordinance Regulating the Procedures and Methods of Setting up Insurance and Health Insurance Reserves
3. Regulation on the Structure And Operation of The Guarantee Fund

Social Insurance

1. Ordinance N. 3 from 24.09.2003 on the Way And Procedure Of Participation and Transferring of the Accumulated Funds of the Insured Person from One Supplementary Pension Insurance Fund to Another Respective Fund, Managed by Another Pension Insurance Company.
2. Regulation on the method of investment abroad of pension company and supplementary pension fund assets
3. Regulation on the Activities of the Supplementary Social Insurance Council
5. Regulation on the Rights and Obligations of the Supervisory Councils of the Funds for Supplementary Mandatory Pension Insurance
6. Regulation on the Methods and Procedures for Valuation of Pension Fund and Pension Insurance Company Assets
7. Regulation on the Capital Structure and the Ratio between the Balance Sheet Assets and Liabilities of Pension Insurance Companies, the Conditions for Loan Taking and for Maintenance of Minimum Liquid Funds by Pension Insurance Companies and Supplementary Pension Funds
8. Regulation on the Terms and Procedures for Transformation of Pension Insurance Companies, Voluntary Pension Funds and Supplementary Mandatory Pension Insurance Funds
9. Regulation on the Conditions and Procedures for Creating an Investment Voucher Guarantee Fund with the Pension Insurance Company's Own Capital.
10. Regulation on Creating a Pension Reserve for Universal Pension Funds.
11. Regulation on the Terms, Methods, and Procedures for Participation of Voluntary Pension Funds in Privatization with Investment Vouchers

The Financial Supervision Commission is not included in any Government Strategic plans and studies.