

BULGARIAN NATIONAL BANK

THE MANAGEMENT BOARD

DECISION No 18

From 23 January 2025

I. Pursuant to Article 76(4) in conjunction with paragraphs 1 and 9 of the Law on Credit Institutions (LCI) and Article 16, item 21 of the Law on the Bulgarian National Bank, the Governing Council (GC) of the Bulgarian National Bank (BNB), in coordination with the Commission for Public Oversight of Statutory Auditors (CPOSA), adopts the following criteria and procedure for coordinating the selection of bank auditors, for carrying out an independent financial audit and a sustainability assurance engagement:

1. Banks licensed to operate in the Republic of Bulgaria shall select registered auditors to carry out an independent financial audit of the financial statements and a sustainability assurance commitment in accordance with Article 76(1) and (9) of the LCI after prior coordination of the selection with the BNB.

2. The BNB coordinates the selection of registered auditors on the basis of the following criteria:

2.1. Professional qualification:

2.1.1. At the date of the proposed selection, the registered auditors shall have experience related to at least one performed and completed audit engagement for financial audit of a bank or other public-interest entities, large entities and/or medium-sized entities designated as such under the Accountancy Act, and which entities compile and submit their annual financial statements on the basis of the International Accounting Standards (IAS).

2.1.2. Registered auditors shall have audit teams which shall include at least:

(a) employees or hired experts with qualifications in the field of information systems and information security;

(b) employees or hired experts who are entered in the register of independent valuers and have obtained a certificate of competence as an independent valuer under the Independent Valuers Act and who carry out valuations of financial instruments, real estate, machines and equipment, commercial enterprises or other valuations at the discretion of the bank and audit firms;

(c) two registered auditors - natural persons, of which one responsible auditor and a second auditor - for quality assurance, each of which shall have audit experience of at least 3 (three) years;

(d) a registered sustainability auditor registered in the register referred to in Article

20 of the Law on Independent Financial Audit and Sustainability Assurance (LIFASA), in cases where he or she will carry out a sustainability assurance engagement.

2.2. Reputation:

A registered auditor is not allowed to be an auditor in a bank if:

(a) on which measures have been imposed by the CPOSA on it or on the responsible auditor in it under Article 89(2), items 5, 6, 7 or 8 of the LIFASA or fines or pecuniary penalties under Article 110(1) of the LIFASA;

(b) on which disciplinary measures have been imposed by the Institute of Certified Public Accountants (ICPA) pursuant to Article 40(4), item 6 or 7 of the LIFASA;

(c) on which a sanction has been imposed for breach of the requirements of Article 76(2), Article 77 of the LCI, Article 61 or Article 69 of the LIFASA in the last 3 years;

(d) who, during the last 3 (three) years, has been an auditor of a bank to which during this period a measure has been imposed under Article 103(2), item 2 of the LCI;

(e) in the supervisory review process, the BNB found that it did not comply with the requirements of the European Banking Authority Guidelines on communication between competent authorities supervising credit institutions and the registered auditor(s) carrying out the statutory audit of credit institutions (EBA/GL/2016/05).

2.3. Conflict of interest:

2.3.1. Registered auditors may not simultaneously be auditors of a bank where:

(a) are related persons within the meaning of § 1, item 3 of the additional provisions of the Tax-Insurance Procedure Code; or

(b) belong to the same international auditing network within the meaning of § 1, item 17 of the of the additional provisions of the LIFASA;

(c) the responsible auditors of the both audit companies are spouses or relatives in a direct lineage up to second degree inclusive, in collateral lineage up to second degree inclusive or through marriage up to the second degree inclusive

2.3.2. A responsible auditor from the proposed registered auditors may not perform audit engagements on statutory financial audit and sustainability assurance engagement in a bank, in cases when is:

(a) husband or wife:

- of a person who has material interests in the bank other than those of a depositor; or
- of a person in the management body of the bank (Supervisory board and Management board or Board of directors); or

- of a person who is an administrator in the bank under the LCI or occupies key

positions in the bank; or

- of a person who provides services to the bank pursuant to Article 64 of the LIFASA.

(b) related in a direct lineage up to second degree inclusive, in collateral lineage up to second degree inclusive or through marriage up to the second degree inclusive with the persons who have material interests in a bank other than the interests of a depositor or any of these persons is:

- of a person in the management body of the bank (Supervisory board and Management board or Board of directors); or

- of a person who is an administrator in the bank under the LCI or occupies key positions in the bank; or

- of a person who provides services to the bank pursuant to Article 64 of the LIFASA.

(c) a person with material interests in the bank, other than those of a depositor, or is its employee or representative;

3. Procedure for the coordination of the selection of statutory auditors

3.1. The circumstances referred to in point 2 of this Decision shall be certified by declarations by the registered auditors, respectively by the responsible auditors, at the date of the coordination of the selection, which shall be provided to the respective bank. The declarations are prepared separately, including for independent financial audit and for assurance engagement of corporate sustainability reports.

3.2. Before the General Meeting of Shareholders of the Bank is scheduled, the management body of a bank shall submit a request for coordination of the selection of auditors under Article 76(4) of the LCI to the Deputy Governor in charge of the Banking Supervision Department of the BNB, accompanied by the declarations referred to in points 3.1.

3.3. In its request for coordination of its choice of auditors, the bank explicitly designates the registered auditor under Article 76(9), sentence 2 of the LCI, who will perform the assurance engagement on corporate sustainability reports.

3.4. For the purposes of verifying compliance with the criteria referred to in point 2, the BNB shall exchange information with the CPOSA and / or the ICPA.

3.5. The BNB shall coordinate the auditors proposed by a bank pursuant to Article 76(6) of the LCI.

3.6. The BNB could object to the selection of an auditor where:

3.6.1. in the course of the check referred to in point 3.4, finds that incorrect data have been submitted;

3.6.2. the criteria set out in point 2 are not met.

II. This Decision suspends Decision No 73 of 10 May 2017 of the Governing Council of the BNB to coordinate the selection of auditors.

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