Future development of the Bulgarian Capital Market

13/12/2016

The Council for Development of the Capital Market in Bulgaria (Council) recently adopted its strategy (Strategy), which aims to address a number of issues and deficiencies present in Bulgaria. This is a welcoming initiative, which will increase the competitiveness and marketability of the capital market in the country.

The Council was established by 15 members, headed by the Bulgarian Stock Exchange, the Commission for Financial Supervision, the Central Depository, and various associations of regulated financial institutions. The Council identified a number of reasons that justify its creation, including:

- the demand for better communication between the public and private financial organizations and the need for co-ordination of opinion between the established in Bulgaria business organizations;
- the necessity for facilitating the protection of the rights and interests of investors, as well as improving the financial literacy of the population;
- the urgency of having a long-term strategy and policy for the development of the Bulgaria non-banking sector;
- the lack of liquidity of the Bulgarian capital market, the lack of sufficiently good investment instruments and instruments that are capable of attracting large institutional investors.

The Council discussed and produced a concrete list of measures, which are to be taken. The short term objectives relate to:
legislative changes, in order to address regulatory and administrative burdens;
• having a one-stop shop for receiving services from the capital market’s institutions;
• introducing the opportunity to members of the Bulgarian Stock Exchange to be listed on foreign stock exchanges;
• commencement of a secondary market for government bonds;
• developing the infrastructure for a financial derivatives market.

The medium-term goals are:

• to join the European clearing and settlement Target 2 Securities system;
• to form the prospect of financing infrastructure projects through the capital market;
• to capitalize large government companies through the Bulgarian Stock Exchange;
• to organize and execute an informative campaign regarding the mechanism of operation of the financial market;
• to stimulate SMEs to raise capital through the regulated market;
• to create the opportunity for large public offerings of financial instruments to be financed with European funds.

Authors

Ivan Gergov
Senior Associate
Sofia