

KINSTELLAR

Navigating the  
Regulatory Landscape:  
An Overview of  
Banking as a Service

This publication is a guide to the banking as a service (“BaaS”) regulations in Kinstellar’s jurisdictions, offering insights into compliance essentials, emerging trends, and how to thrive in this dynamic environment.



BULGARIA

OVERVIEW OF KEY AREAS 

## Definitions

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API	Application Programming Interface
EBA	European Banking Authority
EIOPA	European Insurance and Occupational Pensions Authority
EMD	Directive 2009/110/EC on the taking up, pursuit and prudential supervision of the business of electronic money institutions
FoE	Freedom of Establishment
FoS	Freedom of Service
MiFID2	Directive 2014/65/EU on markets in financial instruments
PSD2	Directive (EU) 2015/2366 on payment services in the internal market

### 01. What is status of the BaaS market?

BaaS is not specifically regulated under Bulgarian law, and at the time of writing we have not identified a similar model or any regulatory guidance or practice in this area. The BaaS landscape in Bulgaria is still in its nascent stages, resulting in a lack or limited development of the legislative framework. Consequently, the regulatory body lacks extensive experience in overseeing such services.

### 02. Who is the relevant regulator of banking/financial services?

The Bulgarian National Bank (the “BNB”) is the supervisory authority responsible for banking and some financial services such as payment and e-money services.

The official webpage: <https://www.bnb.bg/index.htm>

The Financial Supervision Commission (the “FSC”) is the supervisory authority in respect of non-banking financial services such as investment services and the investment activities of investment intermediaries, health and pension insurance providers, the activities of data reporting services providers, and others.

The official webpage: [https://www.fsc.bg/?page\\_id=1233&lang=en](https://www.fsc.bg/?page_id=1233&lang=en)

In the absence of specific regulations, the general rules of the relevant sector laws apply, and therefore if a BaaS provider provides regulated services (e.g., payment services, data reporting services, e-money, credit or financial services), the company will be supervised by the respective regulator responsible for the specific activity.

### 03. What are the main pieces of legislation in relation to banking/financial services?

Bulgaria is an EU Member State and as such the EU regulations governing the EU's banking and finance industries have direct effect. In addition, the following sector-specific Bulgarian legislation applies:

- The Credit Institutions Act, governing the provision of banking services;
- The Payment Services and Payment Systems Act, governing the provision of payment and e-money services;
- The Markets in Financial Instruments Act, governing the provision of investment services;
- The Insurance Code.

Further to the above, there are various secondary legislation issued by the BNB and the FSC.

### 04. What is the time length for obtaining a banking/financial services license?

- **Banking License:** from three months up to six months if the BNB requires additional documents;
- **Payment Services License:** within three months, unless additional documents are required, in which case up to six months;
- **E-Money Services License:** within three months, unless additional documents are required, in which case up to six months;
- **Investment Services License:** within three months unless additional documents are required, in which case up to four months;
- **Insurance License:** within four months unless additional documents are required, in which case up to six months.

Please note that the above timescales are indicative and that licences may take longer to obtain.

## 05. Are there any specific BaaS regulations?

There are no specific BaaS regulations in Bulgaria. Accordingly, Bulgarian law does not recognise/define BaaS as such.

## 06. Are there any specific guidelines on BaaS published by the regulator?

The Bulgarian regulators supervising banking and non-banking financial services have not issued specific guidelines on BaaS. The potential delivery of BaaS would be governed by the applicable Bulgarian laws, contingent upon the nature of the banking or non-banking financial service offered through the BaaS platform and in accordance with the relevant ordinances and guidelines established by the respective regulator.

## 07. Are financial institutions allowed to use financial agents?

Payment/e-money institutions may use representatives and investment intermediaries or tied agents. The activities of these persons/entities are regulated generally in line with the Bulgarian law transposition of the applicable EU law (PSD2, EMD, etc.).

## 08. Are there any restrictions on the use of the agents by a foreign passported financial institution?

In principal, foreign passported payment institutions, e-money institutions and investment intermediaries may use agents/representatives for the provision of their services in Bulgaria. Such activities are carried out in line with the Bulgarian law transposition of the applicable EU law (PSD2, EMD, etc.).

## 09. Are there any regulations on outsourcing?

The Bulgarian Payment Services and Payment Systems Act only briefly regulates the requirements for outsourcing (i.e., use of subcontractors for the performance of operational functions). When outsourcing, compliance entails notifying the BNB, submitting necessary documents, and providing a comprehensive description of the outsourced services. Notably, if outsourcing critical functions, it is imperative that such subcontracting does not involve the delegation of payment institution management functions to third parties, alter the rights and obligations of the payment institution concerning service users, or violate the conditions under which the payment institution's license was granted.

Beyond local statutory regulations, the requirements of (i) the EBA Guidelines on Outsourcing Arrangements or (ii) the European Insurance apply.

## 10. Are there any sandboxes/hubs organised by the regulator?

The FSC has launched the Innovation Hub initiative. The aim is to achieve cooperation with its supervised entities, FinTech companies, and providers of financial innovation in the non-bank financial sector by giving interested parties the opportunity to establish an informal dialogue with the regulator. More information may be found at: [https://www.fsc.bg/?page\\_id=15962&lang=en](https://www.fsc.bg/?page_id=15962&lang=en)

While the BNB has not organised such an initiative, companies may try to request a meeting to discuss their business model and applicable authorisation requirements.

## 11. Are there any other specifics that should be considered when providing BaaS?

Due to the lack of a comprehensive regulatory environment, interested parties should seek specific advice from legal advisors and eventually the BNB/FSC before proceeding with BaaS implementation.

To the extent that the business model is related to data processing, customer/consumer relations, online service provision and other commercial and contractual aspects, the service will be subject to the general rules of data protection, consumer protection, cybersecurity, e-commerce/platforms and other sectoral legislation. If the BaaS provided qualifies as a banking/non-banking financial service, anti-money laundering obligations will arise in addition to the banking/non-banking financial service regulation, and the sector-specific data protection, consumer protection and cybersecurity obligations will supersede the general rules.

As of the date of this publication, Bulgaria has not imposed an excess profits tax (so-called “windfall tax”) on banks.



If you're looking to delve deeper into how current national and EU regulations could affect your fintech business, our team at Kinstellar is here to help. With a unique blend of legal acumen and a keen eye for commercial opportunities, we're ready to assist you every step of the way!

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