



**2025**

**2027**

# **STRATEGY**

for monitoring fintech sector



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## Address of the Chairman:

„Over the past decade, technological progress and innovation have changed every aspect of our lives. The financial sector made no exception, as the rise of financial innovations (Fintech) gradually transformed and began to influence the processes in the non-banking financial sector as well. The rapid pace of development, accelerated digitization, changing customer preferences and increasing support from investors and regulators have given a new look to financial services – not only as innovative, differentiated, but also consumer-oriented through the integration of new partnership business models. It is imperative that we must develop this potential, which offers unprecedented opportunities to improve financial services and their overall efficiency, while at the same time being the basis of the stimulus for economic growth. With these opportunities, however, come challenges that must be met to ensure a stable, inclusive and sustainable financial ecosystem.

Fintech is the foundation that, through data analysis, establishes the preferences of consumers, resonating their expectations for an expanded choice of digital services. In this new environment, the balance between their trust, regulatory compliance and the speed of development of markets is of utmost importance. The Financial Supervision Commission is proactively working in this direction, on a par with the European market.

Within the scope of the "Financial Supervisory Commission Strategy for oversight of the Fintech Sector" are the key components for creating a dynamic and sustainable financial ecosystem that meets the changing needs of all stakeholders and that allows using the full potential of Fintech:

- encouraging the development and adoption of innovative financial technologies that improve service provision, reduce costs and create new opportunities

for consumers and businesses;

- developing flexible and farsighted regulatory frameworks that can adapt to rapidly evolving Fintech changes, ensuring both consumer protection and systemic stability; using Fintech to expand financial services, promote inclusive growth and reduce financial disparities;

- building and maintaining a robust digital infrastructure to support the implementation of good Fintech solutions, ensuring that they are secure, accessible and sustainable;


- integrating sustainability into FinTech initiatives, promoting ecological and socially responsible financial practices that contribute to a sustainable future.

I firmly believe that it is necessary to implement modern business models that adequately respond to the digital revolution. Improved customer experience through innovative technologies, based on good collaboration, leads to business efficiency, on par with existing risks in terms of cyber security, prevention and countermeasures against money laundering and the financing of terrorism.





I believe that very soon we will witness the utilization of the full potential of the FinTech industry, while ensuring legal and regulatory safety, effective consumer protection, market integrity and financial stability in this innovative environment.”



**Boyko Atanasov**



In an era characterized by rapid technological evolution and increasing digital integration, the financial sector is at the forefront of significant transformations. The emergence of new technologies such as Distributed Ledger Technology (DLT), artificial intelligence (AI) and the expanding scope of cryptoassets requires necessitates a forward-looking regulatory approach. This is complicated by the growing emphasis on environmental, social and governance (ESG) factors that are reflecting investment and operational priorities around the world.





The Financial Supervision Commission (the Commission), taking into account these trends, participates in the development of the national regulatory framework, which not only adapts to these changes, but also anticipates the needs and challenges of digital financial products and services, outlining the first in the STRATEGY FOR MONITORING FINTECH SECTOR 2025-2027 (the Strategy). The new Strategy is in line with the increasingly rapidly developing regulation of the European Union (EU) such as Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No. 1060/2009, (EU) No. 648/2012, (EU) No. 600/2014, (EU) No. 909/2014 and (EU) 2016/1011 (DORA), Regulation (EU) 2023/1114 of the European Parliament and of

the Council of 31 May 2023 on cryptoasset markets and amending Regulations (EU) No. 1093/2010 and (EU) No 1095/2010 and of Directives 2013/36/EU and (EU) 2019/1937 (MiCAR), Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a pilot regime for market infrastructures based on distributed ledger technology and amending Regulations (EU) No. 600/2014, (EU) No. 909/2014 and Directive 2014/65/EU (DLTR) and Regulation establishing harmonized rules on artificial intelligence and amending Regulations (EC) No. 300/2008, (EU) No. 167/2013, (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1139 and (EU) 2019/2144 and Directives 2014/90/EU, (EU) 2016/797 and (EU) 2020/1828 (AI ACT), ensuring that national policies provide stability, transparency and resilience of the financial system.



Resilience, often associated with maintaining a high level of compliance with the prudential requirements, is closely interrelated with integrity of the dynamic development of digital technologies, for the achievement of which the establishing and functioning of an effective regime for combating and prevention of money laundering and terrorist financing is of key importance. For the purposes of this regulatory regime, in its supervisory practice, the Commission applies a risk-based approach, taking into account all factors, emerging ones, related to the introduction of new technologies, delivery mechanisms and products.

The strategy outlines steps for the development of innovation, while preserving the stability of the financial market and protecting the interests of consumers. In doing so, the Commission underlines the drive to improve operational resilience, promote the application of new technologies in the financial sector and ensure that regulatory practices can deal with the complexity of modern financial systems

A special focus of the Commission is the cooperation with national and European regulatory authorities, as well as those of third countries, to exchange experience, which allows achieving harmonize and convergent approach and maintaining the smooth functioning of digital financial services.

The strategic vision of the Commission for the period 2025-2027 aims to improve financial supervision in the non-banking financial sector, which will ensure its sustainable growth and stability and at the same time will increase consumer satisfaction with the financial products and services.



# I. Mission

The Commission aims to promote a sound, stable and dynamic Fintech ecosystem. In this fast growing of financial innovation environment the Commission's mission is to ensure the stability, the integrity and the sustainability of the financial sector, while fostering its development and protecting consumers.



# II. Vision

Continuous improvement of regulatory and supervisory activity, corresponding to the challenges, both in the financial and technological sectors, aimed at protecting the interests of the consumers of non-banking financial services.



# III. Objectives

of the Commission to promote financial innovation

A culture of innovation



Planning the activity in relation to changes in the regulatory framework with the aim of harmonizing it with European Fintech regulations



Inclusive financial innovation



Guidance and informational materials on emerging technologies



Digital infrastructure



Sustainable finances



In fulfillment of the Commission's goal of effectively encouraging innovation in the non-banking financial sector, the objectives focused on the implementation, regulation and promotion of financial technologies. A key priority is to position the Commission as a regulator that adapts to technological advances, actively promotes the financial sector and establishes itself as a supervisory authority that is innovative, inclusive and aligned with wider economic and social objectives.

In view of the important role in the process of promoting the development of financial innovations in the non-banking financial sector, the Commission sets the following goals:



01

## **Planning the activity in relation to changes in the regulatory framework with the aim of harmonizing it with European Fintech regulations**

**1.1.** Adaptation and development of the regulatory framework to stimulate the development of financial innovations, and ensure the protection of the consumers of non-bank financial services and systemic financial stability;

**1.2.** Maintaining technological neutrality under MiCAR.

## 02

### A culture of innovation

**2.1.** Promoting a proactive approach to financial technology within the non-banking financial sector to maintain market competitiveness;

**2.2.** Increasing the digital financial literacy of adolescents, the working population and adults (trainings, seminars, publications and materials to promote the Commission's Innovation Centre).

## 03

### Inclusive financial innovation

Fostering innovation that involve more citizens to actively participate in the non-banking financial sector. In the dynamic economic environment of the XXIst century, the financial literacy and the access to financial services are crucial, with many potential economic entity remaining outside the reach of financial services and financial innovation. This creates risks and obstacles for economic development and personal prosperity of citizens. It is necessary to create an environment to promote financial innovation, inclusive of citizens at risk such as the socially weak, people with disabilities, minority groups and others, who will gain easy access to the financial markets.



04

## **Guidance and informational materials on emerging technologies**



The Commission is developing specific information materials on critical areas such as the data security standards, the crypto-asset services and the use of AI in financial services. This will provide clear compliance guidelines for Fintech companies, ensure consumer protection and informed decision-making.



05

## **Digital infrastructure**


Expanding the functionalities of the platform for processing the information from the supervised entities. In this dynamic environment, the dialogue between the regulators and the supervised entities can be enhanced by providing multiple functionalities of the online information processing platform.



06

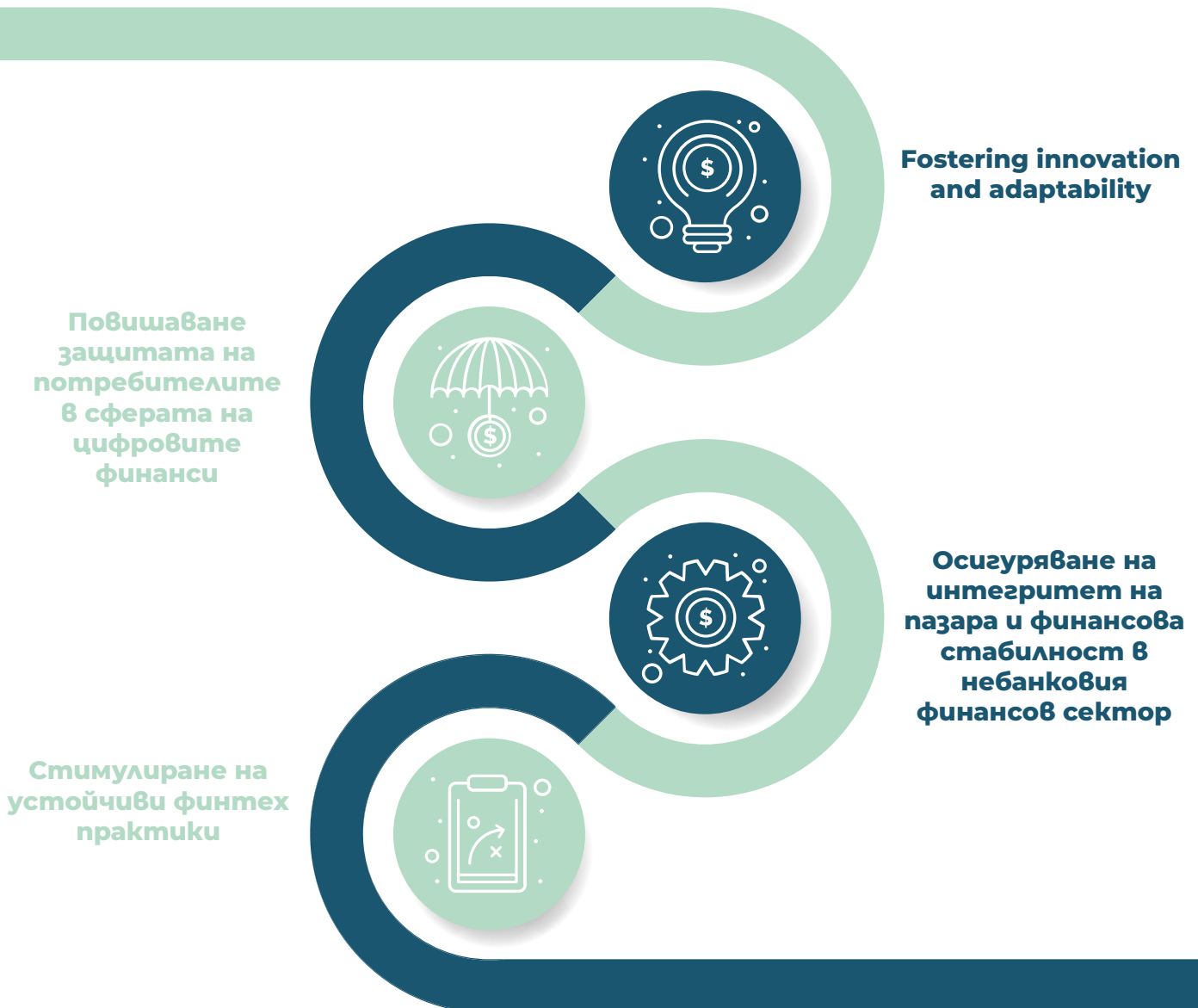
## **Sustainable finances**

Trends in the progress of the use of innovation and development of financial products that are in line with European sustainability goals.



# IV. Priorities

of the Commission to promote financial innovation



# 01

## Fostering innovation and adaptability

The Commission supports innovation in the non-banking financial sector by contributing to the development of a regulatory environment that encourages creativity while ensuring safety and integrity. Through the functioning Innovation hub, the Commission facilitates the development of new financial solutions in the field of innovation, directly engaging and discussing with innovators in order to outline and analyze the developed new business models and financial technologies, and at the same time to inform about the need to understand new challenges in the sector.

The Commission aims to ensure that the national regulatory framework is aligned with technological advances in the Fintech sector in order to maintain market integrity and to protect consumer interests. Regular updating and adaptation of the regulations necessitates the

implementation of new terminology such as cryptoassets, blockchain technology, robo-advisor, etc.

Entering a period marked by significant advances in financial technology at national, European and international level, the Commission recognizes the critical need to ensure that the regulatory framework evolves alongside these innovations. This is essential not only to preserve the integrity of the market and protect the interests of consumers, but also to foster an appropriate environment for innovation and growth in the Fintech sector. This strategic focus, which serves to adapt national regulatory mechanisms adequately address the fast growing development of technologies such as blockchain, automated financial advisory services, etc.



### **1.1. Regulatory amendments**

The Commission carries out regular reviews of the existing regulatory framework to identify areas that require amendments in response to new technological solutions in the non-banking financial sector. This process includes impact assessment of emerging technologies on market dynamics and consumer protection needs. Based on these reviews, rational amendments are envisaged to ensure that the legal framework remains adequate and effective.

### **1.2. Setting up a Fintech consultative platform**

A key initiative will be the establishment of a Fintech consultative platform of experts, consumers, as well as representatives of academia. The purpose of the platform is to provide update market development information on the impact of financial innovations and possibly make a recommendation for regulatory amendments. The platform will provide an opportunity to discuss trends, potential risks and challenges facing new technologies and business models in the Fintech sector.

### **1.3. Public and stakeholder engagement**

To achieve transparency of the regulatory process, the Commission will engage its supervised entities and key stakeholders through discussion, questionnaires and surveys to collect adequate feedback and analyze the information. The Commission is applying such approach, which contributes to achieving better regulatory adaptation by reflecting a wide range of perspectives.

# 02

## Enhancing consumer protection in digital finance

### **2.1. Research the need to implement software solutions**

For the effective protection of consumers, the Commission adheres to high standards of transparency, fairness, providing clear information and protecting the privacy of consumer data. Regulatory measures are designed to prevent fraud, contributing to a safe digital financial environment. The future opens new challenges for regulators and the opportunity to use innovative methods of supervision and monitoring. The Commission envisages the implementation of new software solutions to be used for data analysis. The development and implementation of advanced analytical tools to monitor indicators of abuse, market manipulation or risks to consumers is a key priority in the Commission's future plans. The Commission is also exploring the possibility of implementing sophisticated analytical tools for processing data received from all supervised entities and implementing effective supervision.

### **2.2. Training and capacity building**

For the effective integration of advanced analytical tools, the Commission should provide training for employees focused on the use of the tools, including machine learning and cyber security.

# 03

## **Ensuring market integrity and financial stability in the non-banking financial sector**

The Commission systematically monitors the impact of the Fintech sector on the financial system in order to prevent systemic risks and ensure the integrity of the financial markets it supervises. Moreover, the Commission's actions are to increase the efficiency, the integrity and the sustainability of the Fintech innovations. The dynamic and innovative nature of the Fintech sector requires the Commission's proactive approach to risk assessment and management. As Fintech innovations continue to transform the financial system, the Commission will work towards introducing robust mechanisms to identify, assess and mitigate the potential risks associated with these technological changes.

### **3.1. Establishment of a Fintech risk database**

Setting up a Fintech risk database that covers all identified risks, their potential impact and mitigation strategies will be a real document, regularly updated, with a view to systematizing the risks to which the supervised entities are exposed and analyzing the threats to the financial markets. It will use as a critical tool, both within the Commission and for external communication with stakeholders, increasing transparency, as well as supporting oversight of Fintech risk management by supervised entities.

### **3.2. Mitigation strategies and contingency planning**

Development and implementation of specific supervisory mechanisms to mitigate risks identified in the assessment process. These mechanisms should include both preventive measures and recommendations and guidelines for carrying out corrective actions.

Through these actions, the Financial Supervision Commission will not limit the development and application of the achievements of the Fintech industry in the non-banking financial sector,

while playing a key role in protecting the interests of consumers of services and products offered in financial markets and for the stability of these markets.

# 04

## Promoting sustainable Fintech practices

Recognizing the significant role of the Fintech industry in achieving sustainable economic objectives, the Commission seeks to promote practices that are in line with ESG criteria. The Commission supports the idea of integrating sustainability into financial services and products by increasing public awareness of sustainable finance and supporting initiatives that contribute to environmental protection and social well-being. Sustainable economic development is embedded in the Commission's mission by encouraging and implementing effective supervision of financial markets. The Commission aims to improve the quality of sustainability disclosures by supervised entities and to contribute to an effective transition to a sustainable economy through its supervisory and regulatory activities.

Financial innovation greatly supports the transition to a sustainable economy using blockchain for carbon trading or crowdfunding platforms for renewable energy projects. However, the risk of “greenwashing” is present when these technologies and platforms overestimate their impacts or when environmental benefits are misled without providing sufficient evidence.



According to the definition proposed by the three European Supervisory Authorities (ESMA, EIOPA and EBA), greenwashing is a practice where statements, declarations, actions or communications related to sustainability do not clearly and fairly reflect the underlying sustainability profile of an undertaking, financial product or financial service. This practice may be misleading to consumers, investors or other capital market participants. (Progress Report on Greenwashing - ESMA<sup>30\_1668416927\_2498</sup>)

#### **4.1. Developing a more harmonized set of the regulatory framework**

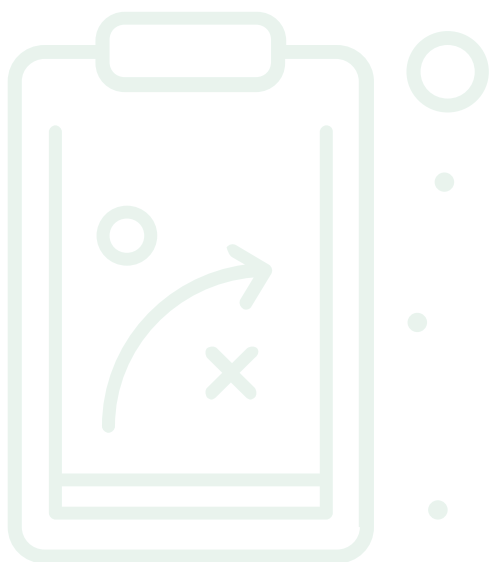
The Commission is harmonizing the regulatory framework, transposing and implementing European legislation with a view to increasing the transparency and reliability of sustainability reporting. This includes working to simplify the complex regulations in the field of sustainable finance to improve understanding and ensure compliance both by participants providing products and services in financial markets and by consumers.

By reducing complexity and providing information about the sustainable elements included in products and services, a proper understanding of sustainability requirements is ensured, enabling a clearer and more effective assessment by financial market participants.

#### **4.2. Greenwashing**

The Commission will monitor the development and hidden potential of “green manipulations” in the Fintech sector, especially where there is an overlap with the growing interest in ESG investments. Specific guidance needs to be developed in relation to “greenwashing” to ensure that the sustainability information disclosed and provided by Fintech companies to consumers is verifiable and transparent. This includes monitoring the compliance with the requirements of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the disclosure of information relating to sustainability in the financial services sector (Regulation (EU) 2019/2088), which contributes to preventing “green manipulation” by requiring more detailed and standardized disclosures about how sustainability goals impact investment decisions. In this regard, and in order to protect investors and maintain market confidence, the Commission:

- will increase the effectiveness of supervision for compliance with the requirements of Regulation



(EU) 2019/2088 and thus limit the risks associated with “greenwashing”;

- will increase the frequency of oversights on disclosures for investment products regarding their sustainability, ensuring that supervised entities adhere to strict standards and actually contribute to achieving environmental aims.

One of the main challenges in mitigating the risks associated with “greenwashing” in the Fintech sector, is the fast expanding development of technological innovations that can outpace the current regulatory framework. In addition, the complexity and technical nature of some Fintech solutions make it difficult for the investors and the regulators to assess the credibility of sustainability claims.

On the other hand, the Fintech industry also offers unique opportunities to combat “greenwashing”. Technologies such as AI and blockchain can improve the transparency and traceability of sustainability practices by verifying claims while ensuring the accuracy of environmental impact data. Collaboration between the regulators, Fintech companies and

sustainability experts will be critical to the resilience of the financial system. Developing comprehensive standards and regulations that are in line with innovation will ensure that innovation can fulfill its potential to develop and maintain a sustainable financial system without being threatened by the threats of “greenwashing”.



# V. Promotion of international cooperation



**Cooperation within the membership of the European supervisory authorities ESMA and EIOPA**

**Participation in the European Forum for Innovation Facilitators (EFIF)**

**Cooperation with international organizations and with Member States of such organizations**

**Application for projects to the Technical Support Instrument of The Directorate-General for Structural Reform Support (DG REFORM) managed by the European Commission**





The Fintech industry operates cross-border and involves the interaction of various stakeholders, including technology companies, financial institutions and regulatory authorities. The Commission considers that in the process of regulation, international cooperation is extremely important, including for the successfully addressing challenges arising from the global nature of Fintech business.

The Commission works in enhanced cooperation at national, European and international level to establish consistent and effective regulation and supervision of the Fintech sector. This collaborative approach is critical to addressing the risks associated with the cross-border activity of Fintech companies, as well as leveraging shared knowledge and resources between the regulatory authorities.

# 01

## Cooperation within the membership of the European supervisory authorities ESMA and EIOPA

The Commission has designated its representatives who participate in Fintech committees and working groups within the:

### ESMA

European Securities and Markets Authority

### EIOPA

European Insurance and Occupational Pensions Authority

### ESAs

Joint Committee of ESMA, EIOPA and European Banking

FSC contributes to:

- the preparation and coordination of the preparation of technical advice, technical standards and guidelines in the Fintech sector;
- strengthening the digital operational resilience of financial entities through the timely and adequate implementation of Digital Operational Resilience Act (DORA);
- the facilitation of coordinated actions and the consistent application of regulations in the Fintech sphere by sharing experience gained in the course of supervisory or law enforcement activities, discussing specific cases;
- ensuring that the promoted supervisory practices remain adequate and do not hamper the development of innovative technologies and enterprises in the EU;
- facilitating the effective use of data, including through setting up registries as envisaged in DORA, Markets in Crypto-Assets Regulation

(MiCAR) and the Distributed ledger technology (DLT) pilot regime, ensuring access to key and relevant information for the national competent authorities and market participants;

- common platforms for sharing surveillance technological tool and exchanging experiences

In addition, the Commission, through its participation in the working structures of ESMA and EIOPA, will seek to share best-learned lessons already in place, aiming to implement better and more effective supervision in cooperation with other European Union (EU) national supervisory authorities. At the same time, the Commission will participate in training projects and events that contribute to the exchange of good practices with other countries and the coordination of actions for market development and consumer protection.

## 02

### **Participation in the European Forum for Innovation Facilitators (EFIF)**

At the EU level, regular meetings and workshops are organized to adopt strategies, share experiences and coordinate regulatory actions in different sectors affected by Fintech innovations. A platform for the regular exchange of technology supervisory practices is the EFIF, which enables national supervisors to discuss common views on the regulatory treatment of products, services and business models. This platform is necessary for the participation of Commission representatives and is of great importance with a view to maintaining good coordination and cooperation in support of the expansion of the financial innovation market and the sharing of good practices regarding the supervisory actions taken on financial innovation products. To increase the effectiveness of regulations in the Fintech sector and improve the business environment, reports issued by EFIF summarizing the results of conducted surveys and recommendations to the national competent authorities, the European supervisory authorities and the European Commission are prepared regarding:

- Identified and analyzed new trends facilitating the entry of innovations in the non-banking financial sector
- Shared experience and successfully implemented business models
- Challenges facing national competent authorities and potential solutions
- The effectiveness of current innovation development strategies

# 03

## 3. Cooperation with international organizations and with Member States of such organizations

The Commission is a member of the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS), and also a member and founder of the International Organization of Pension Supervisors (IOPS). Like a member of international organizations, the Commission monitors and implements best practices in the non-banking financial sector. In their work programs, international organizations focus on financial innovation for the needs of effective financial supervision, as well as to achieve full protection of consumer rights.

The Organization for Economic Co-operation and Development (OECD) is a forum for storing, maintaining and discussing data, analysis and best practices, aiming to establish international standards and seeks and finds solutions to all challenges, including those related to the Fintech market.

Since 2019, the Commission has been

actively involved in the process of accession of the Republic of Bulgaria to the OECD, which is a priority goal of the country's foreign policy. The Commission participates in a number of OECD initiatives and working formats, within which regulatory issues related to financial innovation, are discussed. Risks and challenges aside, innovation should be seen as a natural aspect of the development of the financial system, the functioning of which requires compliance with international standards. Within the working structures of the OECD, the Commission will exchange experience, knowledge and draw on good practices, while also striving to improve the regulatory framework so that it meets the international standards imposed by the OECD.



# 04

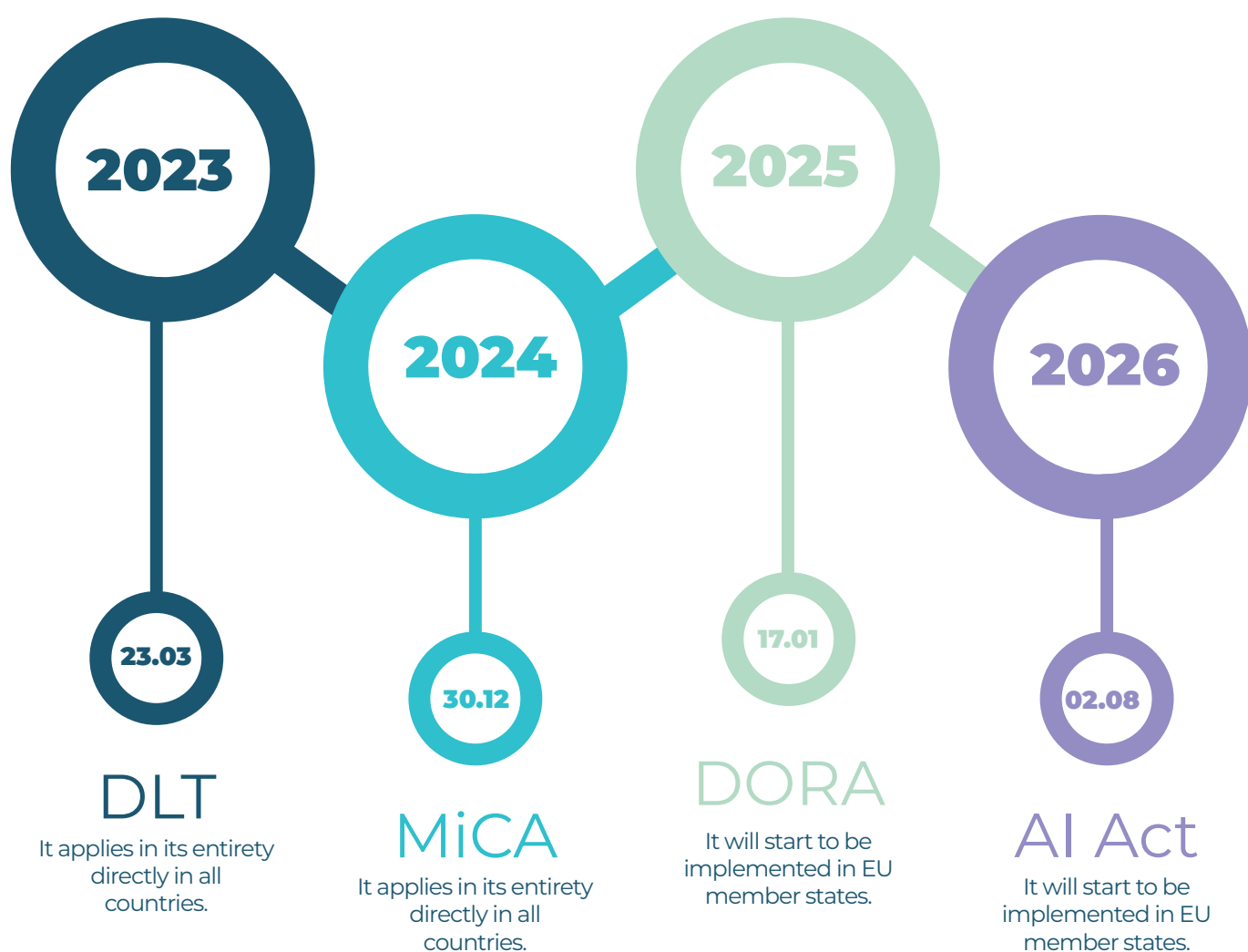
## **Application for projects to the Technical Support Instrument of The Directorate-General for Structural Reform Support (DG REFORM) managed by the European Commission**


The instrument is a technical support mechanism available to all Member States. Set up by Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument for the period 2021 to 2027, it supports countries in implementing institutional, administrative and growth-enhancing and resilience-enhancing structural reforms by providing support to national institutions for measures aimed at reforming governance, administration, economic and social sectors, in response to economic and social challenges, with the aim of increasing competitiveness, growth, employment and investment.

The Financial Supervision Commission annually reviews the opportunities provided by the European Commission and the priority areas determined by it, including digitization of financial services, implementation of AI, green finance, etc.

## Timelines and regulation

The timelines outline the framework and key steps for these critical regulations influencing digital finance and technology in the EU, highlighting its proactive and structured approach to regulating emerging technologies to ensure safety, fairness and sustainability of innovations in the financial markets, in particular the Bulgarian one.





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