Legal 500
Country Comparative Guides 2026

Bulgaria
Alternative Investment Funds

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This country-specific Q&A provides an overview of alternative investment funds laws and regulations applicable in Bulgaria.

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Bulgaria: Alternative Investment Funds

1. What are the principal legal structures used for Alternative Investment Funds?

Bulgarian law adopts a flexible approach and does not impose strict limitations on the legal form of Alternative Investment Funds (AIFs). An undertaking may qualify as an AIF regardless of its legal form, provided that it satisfies the statutory definition of an AIF, namely that it raises capital from more than one investor for the purpose of investing it in accordance with a defined investment policy for the benefit of those investors.

In practice, the legal forms most commonly regarded as suitable for establishing an AIF are a joint-stock company (*aktsionerno druzhestvo*) and a limited partnership with shares (*komanditno druzhestvo s aktsii*). A limited partnership (*komanditno druzhestvo*) may also be used as an AIF vehicle, although this is less common.

A Bulgarian joint-stock company is a capital company whose share capital is divided into shares, with shareholders' liability limited to the amount of their contributions. It is subject to a formal corporate governance structure, comprising either a one-tier or two-tier management system, as well as a general meeting of shareholders.

A Bulgarian limited partnership consists of two categories of partners. The general partners have unlimited liability for the partnership's obligations and are responsible for its management. The limited partners are liable only up to the amount of their agreed contributions and generally act as passive investors.

A Bulgarian limited partnership with shares combines features of a limited partnership and a joint-stock company. It is a capital company comprising two categories of partners: one or more general partners, who have unlimited liability and are responsible for the management of the company, and limited partners (shareholders), whose liability is limited to the value of their shareholdings and who exercise their rights, including voting rights, through the general meeting of shareholders.

Amendments to Bulgarian law adopted in August 2026 (the **Law Amendments**) clarify that a Bulgarian AIF may also be established as a contractual fund without legal personality.

Certain categories of Bulgarian AIFs must be established in prescribed legal forms. National Investment Funds (NIFs) may be established only as either a joint-stock company or a contractual fund, the latter having no separate legal personality. Special Investment Purpose Companies that invest only in real estate or in receivables (which are subject to specific regulation, but broadly operate like AIFs), must be incorporated as joint-stock companies.

Although self-management is permitted, Bulgarian AIFs are typically managed by a separate management company acting as the alternative investment fund manager (AIFM). While an AIFM is generally required to obtain full authorisation, a simplified registration regime is available for sub-threshold AIFMs. As a result, the vast majority of Bulgarian AIFs are managed by sub-threshold AIFMs operating under this lighter regulatory framework.

2. Does a structure provide limited liability to the investors? If so, how is this achieved?

For AIFs in the form of joint-stock company, limited partnership with shares or limited partnership the liability of investors, who usually participate as shareholders or limited partners, is limited to the amount of their capital contribution. In the case of an AIF established as a contractual fund, the liability of investors is limited to the amount of their respective investments.

3. Is there a market preference and/or most preferred structure? Does it depend on asset class or investment strategy?

For illiquid asset classes such as real estate development and private equity, the market favors closed-ended corporate vehicles, with the Joint-Stock Company being the preferred structure. In the real estate sector specifically, many managers choose to establish a Special Purpose Investment Company investing in real estate (REIT). Although this operates under a distinct legal regime under Bulgarian law, it functions similarly to an AIF while providing significant corporate tax exemptions.

For strategies focused on credit, corporate bonds, or other transferable securities, the market tends to favor more flexible structures, such as a joint-stock company or, where available, a contractual fund. Open-ended AIFs are particularly attractive to managers seeking to raise capital from institutional or international investors. Because the underlying assets—such as listed corporate bonds and other liquid debt instruments—are relatively liquid, they align well with the fund's short- to medium-term redemption horizons.

For early-stage startup investing and traditional venture capital strategies, the preferred structures are the limited partnership and the limited partnership with shares. These vehicles support the classic general partner (GP) / limited partner (LP) model, under which the GP retains full management authority and liability for investment decisions, while LPs—often institutional investors backed by European structural funds—benefit from limited liability and a commercially efficient framework that closely resembles pass-through treatment.

4. Does the regulatory regime distinguish between open-ended and closed-ended Alternative Investment Funds (or otherwise differentiate between different types of funds or strategies (e.g. private equity vs. hedge)) and, if so, how?

Yes. An open-ended AIF is inherently linked to a redemption mechanism and is therefore subject to more stringent liquidity, valuation and operational requirements. By contrast, a closed-ended AIF, as a rule, does not offer redemptions and instead relies on market-based or secondary market liquidity. The Law Amendments provide that an AIF established in the form of a commercial company may only be closed-ended, whereas an AIF established in the form of a contractual fund may only be open-ended.

5. Are there any limits on the manager's ability to restrict redemptions? What factors determine the degree of liquidity that a manager offers investors of an Alternative Investment Fund?

The principal factor in determining an AIF's liquidity profile is the nature of the underlying assets comprising its portfolio.

Under Bulgarian law, an AIFM is required to implement a liquidity management policy and conduct regular liquidity stress tests for each AIF under its management. An exception applies to closed-ended AIFs that do not employ leverage, which are subject to a less stringent liquidity management regime.

Open-ended NIFs are subject to more detailed statutory regulation. Such a fund is required to continuously offer its shares or units at an issue price based on the net asset value (**NAV**) and, at the request of investors, to redeem them at a redemption price likewise based on the NAV. The issue and redemption prices must be determined at regular intervals, at least twice a month.

An open-ended NIF may also operate during a closed period. However, such a period may not exceed three years from the date on which it commences. During the closed period, the fund is not required to redeem its shares or units.

In addition, Bulgarian law permits closed-ended NIFs to operate under higher concentration and investment limits than open-ended NIFs.

6. What are potential tools that a manager may use to manage illiquidity risks regarding the portfolio of its Alternative Investment Fund?

The Law Amendments introduce mandatory liquidity management tools for AIFs, a structural regime and limits applicable to loan-originating funds, enhanced investor transparency requirements, and new supervisory reporting obligations relating to illiquid assets and stress testing. The statutory liquidity management tools include, among others, the suspension of subscriptions, repurchases and redemptions, redemption gates, redemption fees, swing pricing, dual pricing, anti-dilution levies, in-kind redemptions, and side pockets.

7. Are there any restrictions on transfers of investors' interests?

Interests in open-ended AIFs are generally redeemable directly with the fund on a regular basis, thereby reducing the need for secondary market transfers. In other cases, the constitutional documents of the AIF set out the procedures governing the transfer of shares or units by investors, including the circumstances in which the AIF may refuse a transfer request and the manner in which the transfer is to be effected.

8. Are there any other limitations on a manager's ability to manage its funds (e.g., diversification requirements)?

By default, standard AIFs are not subject to prescriptive statutory diversification requirements. Instead, they must invest in accordance with the investment policy set out in their constitutional documents.

Depending on the type of fund and its investment strategy, there may be other limitations and requirements, such as leverage limits, liquidity management, reporting obligations, and investor protection measures. For example, where an AIF is established as a retail-oriented NIF, it is subject to specific statutory risk-spreading and diversification requirements.

AIFMs are required to establish maximum leverage limits for each AIF they manage. If the Bulgarian Financial Supervision Commission (**FSC**) determines that the leverage employed by an AIFM poses a threat to financial stability or contributes to systemic risk, it has the statutory authority to impose a binding cap on the AIFM's use of leverage.

AIFMs are prohibited from entering into transactions between AIFs under their management unless appropriate safeguards are in place, including adequate disclosure and mechanisms to ensure that the transactions are conducted on arm's length terms and at fair value.

In addition, an European Long-Term Investment Funds (**ELTIF**) needs to comply with the asset eligibility and diversification requirements set out in EU legislation.

9. What is the local tax treatment of (a) resident, (b) non-resident, (c) pension fund and (d) sovereign wealth fund investors (or any other common investor type) in Alternative Investment Funds? Does the tax status or preference of investors or the tax treatment of the target investments primarily dictate the structure of the Alternative Investment Fund?

Dividend income distributed by Bulgarian AIFs to resident individual investors is generally subject to a final tax at a rate of 5% on the gross amount. Gains realised by resident individuals on the disposal of units or shares are generally taxable under the annual personal income tax regime at a rate of 10%, with the taxable gain being determined by netting gains and losses realised during the tax year and applying a statutory deduction for deemed expenses equal to 10% of the net gain, unless the disposal qualifies for a tax exemption.

Dividend income distributed to resident corporate investors is generally excluded from the corporate income tax base, subject to the statutory exceptions. Gains realised by resident corporate investors on the disposal of units or shares are generally included in the corporate income tax base and taxed at the standard corporate income tax rate of 10%.

Dividends distributed to non-resident individual and corporate investors are generally subject to a final withholding tax at a rate of 5% in Bulgaria, although exemptions may apply. Capital gains realised by non-resident individuals and corporate investors on the disposal of units or shares in a Bulgarian AIF may be subject to a final withholding tax at a rate of 10%, unless an exemption applies.

The above summary does not take into account any relief available under an applicable double taxation treaty or the particular circumstances of a specific investor.

The choice of legal structure for AIF may be influenced by the tax profile of its target investors. For example, capital gains realised by Bulgarian tax residents and by investors resident in another EU or EEA Member State on the disposal of units or shares issued by a National Investment Fund are, in practice, exempt from taxation where the disposal takes place on an EU or EEA regulated market or through redemption by the fund. Similarly, all income derived from the investment of the assets of certain pension funds is exempt from corporate income tax, while the investment return allocated to the individual accounts of insured persons is exempt from personal income tax.

10. What rights do investors typically have and what restrictions are investors typically subject to with respect to the management or operations of the Alternative Investment Fund?

Investors are generally not entitled to participate in the day-to-day management of an AIF. The AIFM is responsible for carrying out the portfolio management and risk management functions on behalf of the AIF. Investors' rights are governed by the AIF's constitutional documents (by-laws or fund rules). Depending on the legal form of the AIF, investors may typically vote on matters such as the removal of the AIFM, the extension of the AIF's term, an increase of its capital (where applicable), the appointment and removal of the members of the board of directors and the auditor, the approval of the annual financial statements, and certain other fundamental matters.

11. Where customization of Alternative Investment Funds is required by investors, what types of legal structures are most commonly used?

To date, the legal forms most commonly used for structuring AIFs in Bulgaria have been the joint-stock company, the partnership limited by shares and the limited partnership (please refer to 1.3 above). In general, each of these legal structures can be adapted to accommodate the concrete investors' preferences.

12. Are managers or advisers to Alternative Investment Funds required to be licensed, authorised or regulated by a regulatory body?

AIFs may be managed by an external AIFM or, where their legal form permits, may be internally managed. A Bulgarian AIFM must obtain a licence from the FSC where the aggregate assets of the AIFs it manages exceed EUR 100 million, including assets acquired through leverage, or EUR 500 million where the managed AIFs do not use leverage and redemption rights cannot be exercised for five years from the date of the initial investment in each AIF. AIFMs below these thresholds are subject to registration rather than licensing. The AIFM licence covers both portfolio management and risk management. Delegation of portfolio management or risk management functions is subject to prior FSC approval and applicable conflict-of-interest safeguards.

Advisory services concerning AIF interests constitute investment advice where they involve personal recommendations to a client regarding transactions in financial instruments. Such services may be provided by duly authorised investment firms, banks/credit institutions, management companies, and AIFMs where their license includes investment advice, subject to the applicable Bulgarian or cross-border regulatory regime.

13. Are Alternative Investment Funds themselves required to be licensed, authorised or regulated by a regulatory body?

Self-managed Bulgarian AIFs require license from the FSC.

Where an AIF is managed by an external AIFM, the regulatory licensing or registration (the latter regarding EU AIFMs managing assets of less than €100 million, or €500 million where the portfolio is unleveraged and subject to a lock-up period) (**Sub-Threshold AIFMs**) requirement generally applies to the AIFM rather than to the AIF as a separate externally managed fund. In connection with each AIF which the AIFM manages or intends to manage, the AIFM must submit to the FSC the required information and documents concerning that AIF, and subsequent additions or changes may be subject to an approval procedure.

14. Does the Alternative Investment Fund require a manager or advisor to be domiciled in the same jurisdiction as the Alternative Investment Fund itself?

An AIF established in Bulgaria is not required, solely on that ground, to be managed by an AIFM established in Bulgaria. It may be managed on a cross-border basis, directly or through a branch, by an AIFM established in another EU Member State, subject to the applicable EU passport notification procedure and to the Bulgarian legal requirements applicable to the AIFM's activities in Bulgaria.

Any delegation of portfolio management, advisory or other functions must comply with the applicable regulatory requirements. There is no express statutory provision, FSC regulation or regulatory guidance requiring an adviser to be established in Bulgaria or prohibiting an adviser from being established outside Bulgaria.

15. Are there local residence or other local qualification or substance requirements for the Alternative Investment Fund and/or the manager and/or the advisor to the fund?

A licensed or registered Bulgarian AIFM must be established as a Bulgarian commercial company with its registered office in Bulgaria. There is no statutory requirement for its directors or managers to be Bulgarian citizens. However, they must satisfy stringent *fit and proper* requirements, including holding a university degree (typically in economics, law, or business), having at least three to five years of relevant professional experience in areas such as asset management, financial services, or supervisory experience gained at the FSC, and possessing an unblemished criminal record with no history of bankruptcy or regulatory prohibitions.

The AIFM must maintain adequate resources, procedures and risk-management rules, and the risk-management function must be functionally and organizationally separated from portfolio management and other operational functions.

If the AIF employs a third-party investment advisor, it does not necessarily need to be local or licensed in Bulgaria.

16. What service providers are required by applicable law and regulation?

Licensed AIFMs must appoint a depositary for each AIF they manage. The depositary must be a licensed Bulgarian depositary bank (or the Bulgarian branch of an EU credit institution approver by the Bulgarian National Bank and by the FSC). The depositary must maintain an operational presence in Bulgaria to perform its cash flow monitoring, safekeeping, and other statutory functions.

In addition, the AIF will typically enter into agreements with external providers of legal, tax, accounting, audit, and other professional support services, as required for its operations.

17. Are local resident directors / trustees required?

No specific requirements for Bulgarian resident trustees or directors apply to AIFs. Please refer to our answer under 2.4 above.

18. What rules apply to foreign managers or advisers wishing to manage, advise, or otherwise operate funds domiciled in your jurisdiction?

A full-scope AIFM authorised in another EU Member State may, following the applicable notification procedure through its home competent authority, manage an AIF established in Bulgaria either directly on a cross-border basis or through a branch in Bulgaria.

Marketing in Bulgaria by an AIFM from another Member State under the harmonised Alternative Investment Funds Managers Directive (**AIFMD**) professional-investor regime is directed to professional investors. Bulgarian law also provides limited possibilities for marketing to non-professional investors, including in respect of certain AIFs and ELTIFs, subject to the applicable Bulgarian requirements.

AIFMs from third countries do not benefit from AIFMD passport rights. Where Bulgaria is the reference Member State, a third-country AIFM must obtain the relevant authorisation under the Bulgarian AIFM regime. Separately, a third-country AIFM may market an AIF in Bulgaria to professional investors without marketing it in another Member State only if the statutory conditions are met, including the required cooperation arrangements between the FSC and the relevant third-country supervisory authorities and the applicable FATF-related conditions.

Non-Bulgarian advisers providing investment advice to Bulgarian AIFs or AIFMs may be required to hold an authorisation under Directive 2014/65/EU (**MiFID II**), unless a relevant exemption applies.

19. What are the common enforcement risks that managers face with respect to the management of their Alternative Investment Funds?

The FSC has extensive supervisory powers. It may carry out inspections, require explanations and the submission of additional information or documentation, impose administrative sanctions, and, in serious cases, revoke licences.

20. What is the typical level of management fee paid? Does it vary by asset type?

In Bulgaria, the management fees for AIFs (and traditional Undertakings for the Collective Investment in Transferable Securities (UCITS)) typically range from 1.0% to 3.0% of the NAV per annum.

The exact level of the fee varies considerably based on the asset class, investment strategy, and target investor base (e.g., standard retail funds vs. specialized Golden Visa immigration funds).

21. Is a performance fee or carried interest typical? If so, does it commonly include a “high water mark”, “hurdle”, “water-fall”, “preferred return” or other condition? If so, please explain.

Yes, performance fees and carried interest are typical for AIFs in Bulgaria. Because AIF structures in Bulgaria are increasingly used for private equity, venture capital, real estate, and sophisticated hedge-fund-like strategies, standard industry incentives apply.

In Bulgaria, this hurdle is typically set between 6% and 8% per annum, heavily aligned with broader European private equity standards.

When a high-water mark is used, the performance fee is typically structured as 10% to 20% of the absolute outperformance above that watermark.

For closed-ended Bulgarian AIFs (venture capital and real estate), cash distributions follow a strict structural sequence known as a distribution waterfall.

Institutional closed-ended funds often implement clawback provisions. If a fund distributes performance profits early in its lifecycle but underperforms in later years, a clawback clause legally forces the fund manager to return excess carried interest back to the pool, ensuring the final lifetime split accurately reflects the 80/20 rule.

In addition, the FSC has stated that it will adhere, in its supervisory practice, to the ESMA *Guidelines on Performance Fees of UCITS and Certain Types of AIFs*. In addition, the FSC has adopted provisions in an ordinance that set out in detail the conditions governing the calculation and charging of performance fees.

22. Are fee discounts / fee rebates or other economic benefits for initial investors typical in raising assets for new fund launches?

The ability to grant investors fee rebates and/or discounts is constrained by the general principle of equal treatment of all investors in the same AIF, as well as by the rules governing inducements that may be received or paid by an AIFM under Commission Delegated Regulation (EU) No 231/2013.

Nevertheless, in Bulgaria, as in most European jurisdictions, offering fee discounts, fee rebates, or other economic benefits to initial or "anchor" investors is often used for new AIFs. The most common approach is creating a dedicated sub-class of shares or units within the fund's rules. Initial investors who commit capital during the pre-marketing or initial offering period receive a permanent or time-bound discount on the annual management fee. Also, fees are often linked to the volume of committed capital.

Private equity, venture capital, and real estate closed-ended setups heavily rely on anchor institutional investors (such as the European Investment Fund (EIF), local pension funds, or high-net-worth family offices). In these launches, deeply customized fee arrangements, co-investment rights, and early-bird rebates are highly typical and actively negotiated.

In addition, Bulgaria features unique open-ended AIF structures specifically tailored for international investors seeking permanent residency via the Bulgarian Foreigners Act. For these funds, managers often compete by eliminating subscription/exit fees entirely or establishing flat, transparent ultra-low fees right from launch to attract initial scale.

23. Are management fee "break-points" offered based on investment size?

Yes, management fee breakpoints based on investment size are applied in Bulgaria. Management fee tiering is structured differently depending on the fund type. For institutional closed-ended funds, venture capital, and private equity AIFs, breakpoints are typically structured via share class variations or negotiated privately through side letters.

For open-ended AIFs management fee breakpoints are explicitly stated in the fund prospectus as a sliding scale based on the total NAV of the fund or individual investor account value.

While the annual management fee itself is occasionally fixed (often at a flat 1.0% to 1.8% for specific open-ended products like Golden Visa compliance funds), managers heavily utilize volume breakpoints on subscription (entry) and redemption (exit) fees. Larger individual investments frequently reduce entry loads to 0%.

24. Are first loss programs used as a source of capital (i.e., a managed account into which the manager contributes approximately 10-20% of the account balance and the remainder is furnished by the investor)?

Yes, but almost exclusively in the context of institutional, public-private partnership development funds. The most prevalent use of first loss structures in Bulgaria is driven by the state-owned Fund of Funds (Fund Manager of Financial Instruments in Bulgaria) and pan-European bodies like the European Investment Bank or EBRD.

25. What are the typical terms of a seeding / acceleration program?

Typical pre-seed funding and acceleration programs in Bulgaria feature a standardized investment ticket ranging from EUR 50,000 to EUR 150,000 in exchange for 6% to 12% equity. Because a large portion of this capital is backed by the Bulgarian Fund of Funds and EU structural programs, these initiatives are heavily driven by local venture firms (such as Innovation Capital and Vitosha Venture Partners) that run structured accelerator tracks. To bypass the rigid legal procedures tied to restructuring a standard Bulgarian limited liability company at the idea stage, these programs heavily utilize convertible notes or SAFE-like instruments (Simple Agreement for Future Equity), converting the debt into equity during a subsequent priced funding round.

26. What industry trends have recently developed regarding management fees and incentive/performance fees or carried interest? In particular, are there industry norms between primary funds and secondary funds?

In Bulgaria, the commercial terms applicable to AIFs—particularly management fees and carried interest—vary significantly between two distinct product categories: institutional private equity/venture capital funds and retail, immigration-focused AIFs.

For primary venture capital and private equity AIFs, a 2.0% annual management fee remains the market standard during the initial investment period. However, limited partners have increasingly sought substantial fee reductions during the post-investment or divestment phase, with fees commonly declining to 1.0%–1.5% or being calculated on a cost-plus basis.

Bulgaria also has a distinct sub-sector of AIFs established to support the country's Permanent Residency (Golden Visa) programme. For these funds, annual management fees have declined considerably, typically ranging from 1.0% to 1.75% of NAV. As these products are designed to attract investors seeking capital preservation rather than high growth, managers generally waive entry (subscription) and redemption fees to enhance their competitiveness.

Bulgaria has no dedicated statutory regime governing the taxation of carried interest. Instead, carried interest is taxed according to its legal form and the resulting gains are treated as capital gains and are subject to a 10% flat income tax rate on private share disposals and a 0% rate on qualifying listed EU/EEA securities.

For capital preservation-oriented AIFs, such as those pursuing fixed-income or index-based strategies, incentive compensation is generally structured as a conventional performance fee, typically amounting to 20% of profits, but payable only to the extent that returns exceed a specified hurdle rate, which is commonly 7%.

Although primary funds—which invest directly in newly issued shares or projects—continue to dominate the Bulgarian AIF market, secondary funds, which acquire existing interests from founders, early investors, or other funds, represent a growing asset class. Their management fees, carried interest, and hurdle rates are generally lower than those of primary funds.

27. What restrictions are there on marketing Alternative Investment Funds?

The standard AIFMD marketing passport regime applies exclusively to professional investors (as defined under MiFID II), such as institutional investors, banks, and large corporate entities.

Where an EEA-authorized AIFM wishes to market an AIF through the simplified regulatory notification (passport) procedure to the FSC, the fund may be offered only to professional investors. Marketing to non-professional investors may be possible only where expressly permitted and subject to the applicable additional requirements (e.g. publication of a prospectus approved by the FSC or, in the case of ELTIFs, compliance with the applicable suitability and investor protection requirements).

Sub-Threshold AIFMs cannot benefit from the cross-border marketing passport. Instead, they are generally limited to marketing in their home Member State unless they opt into full-scope AIFM authorization.

Marketing by non-EEA fund managers likewise requires prior authorization from the FSC.

Bulgaria has adopted the AIFMD definition of "marketing", and the FSC has confirmed that it will follow the ESMA *Guidelines on Marketing Communications* dated 27 May 2021.

Article 7 of the Cross-Border Distribution Regulation 2019/1156/EU is directly applicable in Bulgaria. However, the FSC has announced that it does not require prior notification of marketing communications in Bulgaria.

28. Is the concept of "pre-marketing" (or equivalent) recognised in your jurisdiction? If so, how has it been defined (by law and/or practice)?

Pre-marketing, as defined by Article 4 (1) (aea) of the AIFMD (as amended by EU Directive 2019/1160 (Cross-Border Directive)) means: "provision of information or communication, direct or indirect, on investment strategies or investment ideas by an EU AIFM or on its behalf, to potential Professional Investors domiciled or with a registered office in the EEA in order to test their interest in an AIF or a compartment which is not yet established, or which is established, but not yet notified for marketing in accordance with Article 31 or 32 of

AIFMD (i.e. passported), in that Member State where the potential investors are domiciled or have their registered office, and which in each case does not amount to an offer or placement to the potential investor to invest in the units or shares of that AIF or compartment".

Bulgarian law generally mirrors the above pre-marketing definition, except that it expands this definition to include addresses of pre-marketing investors with a branch in Bulgaria.

29. Can Alternative Investment Funds be marketed to retail investors?

Bulgarian law permits the marketing of National Investment Funds (i.e. domestically established AIFs created under Bulgarian law specifically for retail investors). These funds serve as local alternatives to UCITS while benefiting from greater flexibility in their investment strategies.

A foreign EU-domiciled AIF managed by a licensed EU AIFM may also be marketed to retail investors. However, it cannot rely on the standard AIFMD marketing passport for that purpose. Instead, the offering is subject to additional regulatory requirements, including the publication of a prospectus approved by the FSC (or, where applicable, by the home-state competent authority under a specific EU regime, such as the ELTIF Regulation) and the provision of a Key Information Document (KID) under the PRIIPs Regulation, translated into Bulgarian.

European Venture Capital Funds (**EuVECA**), European Social Entrepreneurship Funds (**EuSEF**), and ELTIFs may also be marketed to retail investors in Bulgaria. However, these funds are subject to their respective EU regulations, which impose specific investor protection requirements. In particular, EuVECAs and EuSEF marketed to certain non-professional investors are generally subject to a minimum investment commitment of EUR 100,000, together with additional eligibility and acknowledgment requirements.

Sub-threshold AIFMs are not permitted to market AIFs to retail investors.

Where an AIF is marketed to retail investors in Bulgaria, the manager must ensure that appropriate local facilities are available to investors. A physical presence in Bulgaria is not required; however, the facilities must be provided in Bulgarian (or another language accepted by the FSC) and must enable investors to: submit subscription, payment, repurchase, and redemption orders; obtain information on the procedures for submitting orders and receiving payments; submit complaints; and access the fund's constitutional and disclosure documents.

30. Does your jurisdiction have a particular form of Alternative Investment Fund be that can be marketed to retail investors (e.g. a Long-Term Investment Fund or Non-UCITS Retail Scheme)?

The specific Bulgarian structure of an AIF designed for retail investors is the NIF. Bulgarian retail investors may also invest in EuVECA, ELTIFs and EuSEFs.

31. What are the minimum investor qualification requirements for an Alternative Investment Fund? Does this vary by asset class (e.g. hedge vs. private equity)?

Bulgarian law differentiates between two categories of investors: professional investors and retail investors. The definition of a professional investor is based on the concept of a professional client set out in Annex II to MiFID II, which has been transposed into Bulgarian law. Investors who do not meet the criteria for professional investor status are treated as retail investors. As a general rule, this categorisation applies uniformly across all asset classes.

32. Are there additional restrictions on marketing to government entities or similar investors (e.g. sovereign wealth funds) or pension funds or insurance company investors?

No. Government entities and pension funds qualify as professional investors within the meaning of the MiFID II. Accordingly, AIFs may be marketed to such entities.

33. Are there any restrictions on the use of intermediaries to assist in the fundraising process?

An AIF may engage intermediaries to support its fundraising activities. Where the intermediary's involvement constitutes marketing of the AIF, the applicable licensing requirements are triggered. In particular, an intermediary engaged in the marketing of the AIF's units or shares must hold the appropriate authorisation depending on the nature of the activities performed.

34. Is the use of "side letters" restricted?

The use of side letters granting preferential terms to particular investors in AIFs is not prohibited under Bulgarian law but is subject to limitations.

The fundamental principle established under Bulgarian law is that investors in each AIF must be treated fairly and equally. In addition, an AIF manager is prohibited from placing the interests of one group of unitholders above those of another.

Nevertheless, the law expressly permits exceptions. Preferential treatment of an investor is permitted, provided that such treatment is expressly set out in the constitutional documents of the relevant AIF.

35. Are there any disclosure requirements with respect to side letters?

Before making an investment, the AIFM is required to provide each investor with information regarding the rules ensuring the equal treatment of investors and the circumstances in which preferential treatment may be granted to particular investors or categories of investors. Therefore, all prospective investors must also be informed, prior to making their investment, of the possibility that preferential treatment may be granted to certain investors or categories of investors.

36. What are the most common side letter terms? What industry trends have recently developed regarding side letter terms?

In Bulgaria, side letters are most commonly used in AIFs, particularly where institutional investors or foreign high-net-worth investors participate in a fund to provide investors with tailored contractual rights without amending the fund's constitutional documents. Typical provisions include excuse rights allowing public institutional investors to opt out of investments that conflict with regulatory or policy restrictions, management fee or carried interest rebates for cornerstone investors, most-favoured nation (MFN) clauses, and rights to appoint representatives to the fund's advisory committee.

Recent market developments have been driven largely by regulatory requirements and increased investor sophistication. Side letters increasingly contain bespoke reporting obligations, particularly relating to ESG, anti-money laundering, and other regulatory compliance matters.

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