

Ordinance No. 21

of 26 November 2015

on Minimum Required Reserves Maintained with the Bulgarian National Bank by Banks

(Issued by the Bulgarian National Bank; published in the Darjaven Vestnik,
issue 94 of 4 December 2015; effective as of 4 January 2016)

Subject

Article 1. This Ordinance shall establish the terms, amounts and assets in which banks and foreign bank branches with a registered office in Bulgaria maintain their minimum required reserves with the Bulgarian National Bank (BNB).

Reserve Base

Article 2. The reserve base on which the amount of minimum required reserves is determined shall be the funds attracted by banks in levs and foreign currency, with the exception of funds attracted:

1. by other banks and foreign bank branches with a registered office in Bulgaria;
2. through branches of a local bank abroad;
3. in the form of equity instruments under Article 4, paragraph 1, item 119 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Percentage of Minimum Required Reserves

Article 3. (1) Banks shall maintain minimum required reserves to the amount of 10 per cent of the reserve base.

(2) By derogation of the requirements under paragraph 1, banks shall maintain minimum required reserves, as follows:

1. on funds attracted from abroad: 5 per cent;
2. on funds attracted from state and local government budgets: 0 per cent.

Reserve Assets

Article 4. Banks shall maintain minimum required reserves in the following reserve assets:

1. holdings on settlement accounts with RINGS, real-time gross settlement system, operated by the Bulgarian National Bank;
2. holdings on other special accounts with the BNB in levs and euro;
3. fifty per cent of cash in vaults, including those in ATM terminals of banks.

Excess Reserves

Article 5. (1) Excess reserves shall be the excess of the holdings in reserve assets under Article 4 by more than 5 per cent over the required amount of minimum required reserves.

(2) Excess reserves shall be determined on an average daily basis for a maintenance period.

Interest on Minimum Required Reserves and Excess Reserves

Article 6. (1) The Bulgarian National Bank may pay interest in levs on minimum required reserves and excess reserves to an amount set by the BNB Governing Council.

(2) Interest on excess reserves may be a negative value unless these excess reserves are imposed as a result of a supervisory measure.

Basis Period

Article 7. (1) Basis period shall be the period during which the reserve base of banks is monitored with a view to determining the amount of minimum required reserves.

(2) The basis period shall be each calendar month.

Maintenance Period

Article 8. (1) Maintenance period shall be the period during which banks are obliged to maintain minimum required reserves.

(2) The maintenance period shall begin from the fourth day of the reporting basis period and end on the third day of the following basis period.

Establishing the Total Amount of Reserves Maintained with the BNB by Banks

Article 9. The amount of minimum required reserves, which each bank is obliged to reach at the end of the maintenance period, shall be computed by multiplying the banks' reserve base under Article 2 for all days of the basis period by the percentage of the minimum required reserves under Article 3, with the result being rounded to a whole number.

Maintaining Minimum Required Reserves

Article 10. (1) Banks themselves shall compute the amount of minimum required reserves which they are obliged to maintain, and shall manage their reserve assets throughout the maintenance period in a manner which is in compliance with the requirements of this Ordinance.

(2) A bank shall be deemed to have met the requirements of this Ordinance, provided that the amount of reserve assets under Article 4 maintained with the

BNB during all days of the maintenance period under Article 8 equals or exceeds the sum total of minimum required reserves under Article 3.

(3) During a maintenance period, a bank may use without limitation its minimum required reserves if the bank meets the requirement under paragraph 2. If a bank uses over fifty per cent of the lev equivalent of its minimum required reserves, it shall owe interest under Article 12, paragraph 1.

Reporting

Article 11. (1) Banks shall present each week a report of their reserve base and cash holdings in levs and foreign currency, including those in ATM terminals.

(2) The reports under paragraph 1 shall be submitted in the beginning of each week but no later than Tuesday, and information provided shall refer to each day of the previous week.

(3) In addition to reports under paragraph 1, banks shall also submit to the BNB, no later than two days after the end of each basis period, a report on the days between the latest weekly report and the end of the basis period.

(4) Persons authorised by each bank shall submit the reports electronically to the BNB Banking Department.

(5) The Deputy Governor heading the BNB Banking Department shall determine in instructions the form and content of bank reports under this Ordinance.

Sanctions

Article 12. (1) Should a bank uses over fifty per cent of the lev equivalent of its minimum required reserves, it shall pay interest in levs to the BNB for the excess over fifty per cent for each day of use in an amount as determined by the BNB Governing Council.

(2) Any bank which at the end of the maintenance period reports a shortage of its minimum required reserves, shall pay interest in levs to the BNB for the amount of the shortage, at a rate determined by the BNB Governing Council.

(3) The interest under this Article and Article 6, paragraph 2 shall be collected *ex officio* from the bank's accounts with the BNB.

Article 13. (1) Should a bank or a foreign bank branch reports a shortage at the end of a maintenance period, which exceeds one twelfth of minimum required reserves, the Banking Department shall notify the Banking Supervision Department with a view to carrying out a proper examination, and the BNB Governing Council may resolve on restricting the current use of funds from bank's accounts with the BNB until minimum required reserves are fully met.

(2) The measures under paragraph 1 shall also apply where a bank reports a shortage of its minimum required reserves in three consecutive maintenance periods irrespective of the shortage amount.

Article 14. In case of a delay in submitting the reports under Article 11 and non-compliance with other requirements under this Ordinance, fines and finan-

cial penalties provided for in the Law on the Bulgarian National Bank shall be imposed.

Exemption from the Obligation to Maintain Reserves

Article 15. Banks which have been declared insolvent or in liquidation shall not maintain minimum required reserves with the BNB as from the effective date of the ruling on insolvency or the date of initiating proceedings for voluntary or compulsory liquidation, respectively.

Transitional and Final Provisions

§ 1. This Ordinance is issued on the grounds of Article 41, paragraph 1 and Article 16, item 5 of the Law on the Bulgarian National Bank and is adopted by Resolution No. 116 of the BNB Governing Council dated 26 November 2015. It shall come into force on 4 January 2016.

§ 2. Ordinance No. 21 of 1998 on the Minimum Required Reserves Maintained with the Bulgarian National Bank by Banks (published in the Darjaven Vestnik, issue 28 of 1998; amended, issue 118 of 1998; amended, issue 124 of 1998; amended, issue 50 of 2000, issue 68 of 2002, issue 110 of 2003; amended, issue, 48 of 2004; amended, issue 103 of 2004; amended, issues 20 and 37 of 2005; amended, issues 62 and 93 of 2005, issues 19, 48 and 94 of 2006; issue 62 of 2007; amended, issue 94 of 2008; amended, issue 104 of 2008 and issue 10 of 2010) shall be repealed.

§ 3. The Deputy Governor heading the Banking Department shall give instructions on the enactment of this Ordinance.