

Law on the Bulgarian National Bank*

(Adopted by the 38th National Assembly on 5 June 1997; published in the *Darjaven Vestnik*, issue 46 of 10 June 1997; amended, issues 49 and 153 of 1998; issues 20 and 54 of 1999; issue 109 of 2001; issue 45 of 2002; issues 10 and 39 of 2005; issues 37, 59 and 108 of 2006; issues 52 and 59 of 2007; issues 24, 42 and 44 of 2009; issues 97 and 101 of 2010; issues 48 and 62 of 2015; issues 51 and 59 of 2016; issues 97 and 103 of 2017; issues 7, 20 and 106 of 2018; issues 37 and 83 of 2019; issues 13 and 14 of 2020; issue 12 of 2021)

Chapter One General Provisions

Article 1. (1) The Bulgarian National Bank is the central bank of the Republic of Bulgaria. It is a legal entity.

(2) The Bulgarian National Bank shall report its activities before the National Assembly.

Article 2. (amended, *Darjaven Vestnik*, issue 10 of 2005) (1) The primary objective of the Bulgarian National Bank shall be to maintain price stability through ensuring the stability of the national currency and implementing monetary policy as provided for by this Law.

(2) (amended, *Darjaven Vestnik*, issue 106 of 2018) The Bulgarian National Bank shall act in accordance with the principle of the open market economy with free competition, favouring an efficient allocation of resources. Without prejudice to the primary objective of price stability, the Bulgarian National Bank shall support the general economic policies in the European Union with a view to contributing to the achievement of its objectives, as laid down in Article 3 of the Treaty on European Union.

(3) Without prejudice to the objectives under paragraphs 1 and 2, the Bulgarian National Bank shall support the policy of sustainable and non-inflationary growth.

(4) The Bulgarian National Bank shall assist in establishing and functioning of efficient payment systems and shall oversee them.

(5) The Bulgarian National Bank shall have the exclusive right to issue banknotes and coins in this country.

(6) The Bulgarian National Bank shall regulate and supervise other banks' activities in Bulgaria for the purpose of ensuring the stability of the banking system and protecting depositors' interests.

(7) (new, *Darjaven Vestnik*, issue 101 of 2010, effective as of 30 June 2011; amended, issue 20 of 2018) The Bulgarian National Bank shall regulate and super-

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visé the activities of payment system operators, payment services providers and electronic money issuers in Bulgaria.

Article 3. (amended, *Darjaven Vestnik*, issue 10 of 2005; repealed, *Darjaven Vestnik*, issue 12 of 2021).

Article 4. (1) In connection with the performance of its functions, the Bulgarian National Bank may demand from banks to submit any documents and information, and may also carry out the requisite examinations.

(2) (amended; *Darjaven Vestnik*, issue 45 of 2002; amended, *Darjaven Vestnik*, issue 106 of 2018; amended; *Darjaven Vestnik*, issue 37 of 2019, with effect from the day of enforcement of the ECB decision on close cooperation under Article 7 of Council Regulation (EU) No 1024/2013 of 15 October 2013) The Bulgarian National Bank shall not disclose or transmit to other persons any information obtained, which constitutes a banking, professional, commercial or other legally protected secrecy for the banks and the other participants in the monetary turnover and in credit relations, except in the cases of exchange of information within the framework of the close cooperation established with the European Central Bank (ECB) under Article 7 of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ, L 287/63 of 29 October 2013) hereinafter referred to as Regulation (EU) No 1024/2013, as well as in the cases of exchange of information with the Single Resolution Board pursuant to Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (OJ, L 225/1 of 30 July 2014) hereinafter referred to as Regulation (EU) No 806/2014.

Article 5. The Bulgarian National Bank may participate organizationally and financially in international organizations aiming at the development of international cooperation in the sphere of foreign exchange, monetary and credit policy, as well as take part on its own behalf in the activity carried out by such organizations when in the interest of the Republic of Bulgaria.

Article 6. (1) The headquarters of the Bulgarian National Bank shall be in the city of Sofia. The Bank may have branches in this country and representative offices in the country and abroad.

(2) The Bulgarian National Bank shall have a seal bearing its name and the state coat-of-arms.

Chapter Two

Statutory Fund and Reserves

Article 7. The statutory fund of the Bulgarian National Bank shall be BGN 20 million.

Article 8. (1) To cover uncollectable and doubtful receivables, the Bulgarian National Bank shall allocate provisions in the amount specified by the Governing Council which shall be an item of the accounting expenses and an adjustment for the balance sheet assets.

(2) The Reserve Fund shall be formed out through deductions in the amount of 25 per cent of the annual excess of the Bank's revenue over expenditure. The resources of this Fund shall be used for covering the Bank's losses.

(3) Upon deduction of the amount for the Reserve Fund, the necessary amounts for special funds, set up under a decision of the Governing Council, shall be allotted from the annual excess of the Bank's revenue over expenditure.

(4) The account of the state budget shall be credited annually with the remainder of the annual excess of the Bank's revenue over expenditure within four months after the end of the fiscal year.

Article 9. (1) (amended, Darjaven Vestnik, issue 10 of 2005) Where the Bank's balance sheet indicates that the amount of its assets is less than the amount of its liabilities and statutory fund, the Minister of Finance shall replenish the statutory fund of the Bank to the amount necessary to cover the deficit.

(2) The procedure under paragraph 1 for covering the balance sheet deficit shall be applied only in the cases when the resources of the Reserve Fund and on the Bank's Special Reserve Account under Article 36, paragraph 1 have been exhausted.

Chapter Three

Structure and Management

Article 10. The management of the Bulgarian National Bank shall be carried out by the Governing Council, the Governor and the three Deputy Governors elected to directly manage the basic departments referred to in Article 19.

Article 11. (1) The Governing Council shall consist of seven members: the Governor of the Bank, the three Deputy Governors, and three other members.

(2) Members of the Governing Council shall be only Bulgarian citizens.

(3) (amended, Darjaven Vestnik, issue 10 of 2005) Members of the Governing Council shall be elected and appointed only persons of the highest integrity and prominent qualifications in economics, finance or banking.

(4) (new, Darjaven Vestnik, issue 10 of 2005) Member of the Governing Council shall not be a person:

1. sentenced to imprisonment for a premeditated crime;
2. adjudicated in bankruptcy in a capacity as a sole proprietor or general partner in a commercial company;
3. who has been a member of a managing or supervisory body of a company or cooperative in the last two years prior to adjudicating the said company or cooperative in insolvency;
4. (new, Darjaven Vestnik, issue 42 of 2009) who is a sole proprietor, partner with unlimited liability in a trade company, governor, trade proxy, trade representative,

procurator, trade agent, liquidator, or assignee in bankruptcy, member of a management or controlling body of a trade company or a cooperative, with the exception of companies where the Bulgarian National Bank participates;

5. (new, *Darjaven Vestnik*, issue 42 of 2009) who is a spouse or cohabitant, relative in a direct line, in a lateral line to the fourth degree inclusive, or by marriage to the second degree inclusive, of any member of the Governing Council.

Article 12. (1) The Governor of the Bulgarian National Bank shall be elected by the National Assembly.

(2) The National Assembly shall elect the Deputy Governors – heads of the basic departments under Article 19 – on a proposal by the Governor.

(3) The other three members of the Governing Council shall be appointed by the President of the Republic.

(4) (amended, *Darjaven Vestnik*, issue 10 of 2005) The term of office of the members of the Governing Council shall be six years. Election/appointment of a new member of the Governing Council shall be made not earlier than three months and not later than two months before the end of the term of office of the current member. If the election/appointment is not made until the end of the term of office, the member of the Governing Council whose term of office has expired shall continue to perform his duties until the new election/appointment.

(5) (amended, *Darjaven Vestnik*, issue 54 of 1999; issue 10 of 2005) The Governor and the Deputy Governors shall not engage in any activity, other than teaching, or as members of the bodies in companies where the Bulgarian National Bank participates or in international organizations related to Bulgarian National Bank activities. They may perform a non-remunerative activity following a unanimous decision of the Governing Council insofar as there is no conflict of interest.

(6) (amended, *Darjaven Vestnik*, issue 10 of 2005) The other three members of the Governing Council shall not engage in any other remunerative activity at the Bulgarian National Bank, work for banks, insurance companies, other financial institutions or in the executive, as well as perform any other activity which may create a conflict of interest.

(7) (amended, *Darjaven Vestnik*, issue 10 of 2005) When a member of the Governing Council resigns, the duties of this member shall cease after a period of three months if a new member of the Governing Council is not elected/appointed within this period.

(8) (new, *Darjaven Vestnik*, issue 10 of 2005) Relationships between the Bulgarian National Bank and the Governor and Deputy Governors shall be regulated by managing contracts according to rules determined by the Governing Council.

(9) (new, *Darjaven Vestnik*, issue 42 of 2009; amended, *Darjaven Vestnik*, issue 97 of 2010, effective as of 10 December 2010; amended, *Darjaven Vestnik*, issue 7 of 2018) The Governor, Deputy Governors and the other members of the Governing Council shall submit to the authority which has elected or appointed them the declarations under Article 35, paragraph 1, items 1 and 3 of the Law on Countering

Corruption and Forfeiture of Illegally Acquired Assets. The declaration of private interest under Article 63, paragraph 1 of the Law on Countering Corruption and Forfeiture of Illegally Acquired Assets shall be submitted to the Governing Council under the procedure of Article 17, paragraph 4.

(10) (new, Darjaven Vestnik, issue 103 of 2017) The circumstances under Article 11, paragraph 4, item 1 shall be established *ex officio* by the electing or appointing body.

Article 13. (1) (amended; Darjaven Vestnik, issue 10 of 2005; issue 59 of 2006; effective as of 1 January 2007; amended, Darjaven Vestnik, issue 106 of 2018; amended, Darjaven Vestnik, issue 12 of 2021) At entering into office, the Governor, the Deputy Governors and the other three members of the Governing Council shall be sworn in to abide by law, to contribute to the independent performance of the functions entrusted to the Bank, as well as to keep business, banking, professional, commercial and another secrecy protected by law, even after their duties have ceased.

(2) The Governor and the Deputy Governors shall swear an oath to the National Assembly, and the other three members of the Governing Council to the President.

Article 14. (amended; Darjaven Vestnik, issue 10 of 2005; amended, Darjaven Vestnik, issue 106 of 2018) (1) The competent authority under Article 12 may only remove a member of the Governing Council from office if he no longer fulfils the conditions required for the performance of his duties or if he has been found guilty of serious misconduct.

(2) (repealed, Darjaven Vestnik, issue 48 of 2015, effective as of 27 June 2015)

(3) (amended, Darjaven Vestnik, issue 106 of 2018) The decision to relieve from office the Governor of the Bulgarian National Bank may be referred to the Court of Justice of the European Union on the grounds of infringement of the Treaties on European Union or a rule of law relating to their application.

Article 15. (1) The Governing Council shall hold sessions at least once a month. It shall be convened by the Governor of the Bank or at the request of no less than three of its members by a written notice.

(2) The sessions of the Governing Council shall be presided by the Governor of the Bank; should the Governor be absent, by a Deputy Governor appointed by him.

Article 16. The Governing Council shall:

1. consider and adopt major guidelines for its activity;
2. adopt legislative acts concerning the Bank's activity;
3. (amended, Darjaven Vestnik, issue 59 of 2006; effective as of 1 January 2007) fix interest rates, fees and commissions related to the Bank's operations;
4. fix the percentage of the minimum reserves to be held by banks and approve the conditions and requirements for their fulfilment;
5. set rules and requirements regulating bank activities;
6. adopt rules of procedure for this Bank's activities;
7. pass upon the introduction and discontinuance of particular activities of the Bank;

8. open and close down branches and representative offices of the Bank;
9. take decisions for issuing new banknotes and coins, and set the time limits after which the banknotes and coins cease to be legal tender and within which banknotes and coins called in have to be exchanged;
10. regularly consider reports on the activities of the Bank's basic departments;
11. define the way and competences for the charge-off of uncollectable receivables of the Bulgarian National Bank as a loss;
12. adopt decisions for participation of the Bulgarian National Bank in international organizations and in initiatives and activities undertaken by such organizations;
13. approve the annual budget, the annual balance sheet and the report under Article 51 as presented by the Governor;
14. (new, Darjaven Vestnik, issue 10 of 2005) be responsible for establishing and maintaining an efficient internal control system at the Bulgarian National Bank and its subsidiaries adequate to the inherent risks to its activities;
15. (former item 14; Darjaven Vestnik, issue 10 of 2005; amended; Darjaven Vestnik, issue 59 of 2006; effective as of 1 January 2007, amended, Darjaven Vestnik, issue 101 of 2010; effective as of 30 June 2011; amended, Darjaven Vestnik, issue 106 of 2018; amended, Darjaven Vestnik, issue 13 of 2020) grant, refuse to grant, and withdraw licenses of banks in the context of close cooperation under Article 7 of Regulation No (EU) 1024/2013, of payment system operators, payment institutions and electronic money institutions and register, refuse to register or delete account information service providers under conditions and procedure set out by law;
16. (new; Darjaven Vestnik, issue 59 of 2006; effective as of 1 January 2007, amended, Darjaven Vestnik, issue 101 of 2010; effective as of 30 June 2011; amended; Darjaven Vestnik, issue 97 of 2017; effective as of 5 December 2017; amended, Darjaven Vestnik, issue 106 of 2018; amended, Darjaven Vestnik, issue 12 of 2021) apply supervisory measures and early intervention measures, grant approvals, authorisations and consents in the cases set out by law, including in the context of close cooperation under Article 7 of Regulation No (EU) 1024/2013;
17. (new; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015; amended; Darjaven Vestnik, issue 59 of 2016; amended; Darjaven Vestnik, issue 37 of 2019, with effect from the day of enforcement of the ECB decision on close cooperation under Article 7 of Council Regulation (EU) No 1024/2013 of 15 October 2013) take decisions as a resolution authority under the Law on the Recovery and Resolution of Credit Institutions and Investment Firms and Regulation (EU) No 806/2014;
18. (new, Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) take decisions under Article 20, paragraph 1, item 2 of the Law on Bank Deposit Guarantee that bank deposits are unavailable;
19. (new, Darjaven Vestnik, issue 20 of 2018) grant, refuse to grant, withdraw or suspend the authorisation or register, refuse to register, withdraw or suspend the

registration of administrators of interest rate benchmarks, as well as endorse or refuse to endorse interest rate benchmarks provided in a third country under Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1);

20. (new, Darjaven Vestnik, issue 101 of 2010, effective as of 30 June 2011; former item 17, Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015; former item 19, Darjaven Vestnik, issue 20 of 2018) deal with and decide on other issues related to the Bank's activities.

Article 17. (1) The Governing Council may hold a session if more than one half of its members are present.

(2) Decisions of the Governing Council shall be adopted by a majority of the members present but shall require the affirmative vote of no less than four votes.

(3) Abstention from voting shall not be permitted except in the cases under paragraph 4.

(4) Members of the Governing Council shall not participate in the deliberation and shall abstain from decision-making on issues in which they or members of their families may have interest. They must notify the Governing Council in advance of any such interests.

(5) (new, Darjaven Vestnik, issue 97 of 2017, effective as of 5 December 2017) Minutes shall be taken at the sessions of the Governing Council and shall be signed by the Governing Council members present and the person who took the minutes. Information on the decisions of the Governing Council shall be published on the BNB website, unless such decisions contain professional, bank, commercial or other secrecy protected by law.

Article 18. (1) The Governor of the Bulgarian National Bank shall organize, direct and supervise the activities of the Bank, other than those mandated by this or another law exclusively to the Deputy Governors, and shall represent the Bank at home and abroad. He may delegate some of his competences to other officials.

(2) The Governor may establish consultative councils in support of his functions.

Article 19. (1) Three basic departments shall be established at the Bulgarian National Bank – an Issue Department, a Banking Department and a Banking Supervision Department – each department being directly headed by a Deputy Governor designated by the National Assembly.

(2) Other departments and offices may also be established by a decision of the Governing Council.

(3) Within the competencies vested to them by law or by a regulation adopted by the Governing Council, the Deputy Governors shall organize, direct and be responsible for the activities of the headed departments.

(4) On a motion by a Deputy Governor, the Governing Council shall designate an alternate deputy governor to exercise his powers when he is absent.

Article 20. (1) (amended, Darjaven Vestnik, issue 10 of 2005) The main function of the Issue Department shall be to maintain full foreign exchange cover of the total amount of monetary liabilities of the Bulgarian National Bank, by taking actions needed for the efficient management of the Bank's gross international reserves.

(2) In case any systemic risk for the stability of the banking system arises, the Banking Department shall perform the lender of last resort function under the terms and procedure set forth by this Law and by the regulations as adopted by the Governing Council.

(3) (amended, Darjaven Vestnik, issue 59 of 2006; effective as of 1 January 2007; amended; Darjaven Vestnik, issue 97 of 2017; effective as of 5 December 2017; amended, Darjaven Vestnik, issue 106 of 2018) Supervision over the banking system shall be exercised by the Deputy Governor heading the Banking Supervision Department in the context of close cooperation under Article 7 of Regulation No (EU) No 1024/2013 in accordance with a procedure established by law and the statutory instruments issued for its enactment. The Deputy Governor shall exercise his supervisory powers and carry out the operational management of the Banking Supervision Department autonomously and independently of the functions of the other Bulgarian National Bank departments.

(4) (new, Darjaven Vestnik, issue 101 of 2010; effective as of 30 June 2011; amended, Darjaven Vestnik, issue 97 of 2017; effective as of 5 December 2017; amended, Darjaven Vestnik, issue 20 of 2018) The Deputy Governor heading the Banking Department shall be responsible for exercising supervision over the payment system operators, payment services providers and electronic money issuers under the terms and procedure provided for by law and the implementing legislation thereto. The Deputy Governor shall exercise his supervisory powers and shall carry out the operational management of the Banking Department autonomously and independently of the functions of the other Bulgarian National Bank departments.

Article 21. The Governing Council shall define in the Rules of Procedure the structure, specific functions and responsibilities of the departments and offices at the Bank, as well as the rules regulating the relationships between them and competence of the managing officials.

Article 22. (amended, Darjaven Vestnik, issue 10 of 2005; issue 51 of 2016) (1) The internal audit of the Bulgarian National Bank shall be undertaken by an internal audit unit managed by a chief auditor.

(2) The internal audit of the Bulgarian National Bank shall comply with the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics of Internal Auditors, the rules of the Internal Auditors Committee of the European System of Central Banks (ESCB) and the rules of operation adopted by the BNB Governing Council.

(3) The objectives, powers, responsibilities, the audit plan and activity report of the Bulgarian National Bank internal audit shall be approved by the Governing Council.

(4) (effective as of 1 April 2017; amended, Darjaven Vestnik, issue 106 of 2018) The BNB Chief Auditor and auditors in the internal audit unit shall have completed university education and a master's degree and hold a certificate of Internal Auditor in the public sector issued by the Minister of Finance and/or an internationally recognised certificate in the area of auditing and accounting.

(5) (new; Darjaven Vestnik, issue 103 of 2017; repealed, Darjaven Vestnik, issue 106 of 2018)

Article 23. (1) (repealed, Darjaven Vestnik, issue 10 of 2005; new, Darjaven Vestnik, issue 59 of 2006; effective as of 1 January 2007) Official secrecy shall be the information related to the preparation for production of Bulgarian banknotes and coins; the technical parameters of the sensors for reading the security features of Bulgarian banknotes and coins; physical protection systems and information security management systems of the bank and its subsidiaries; information related to transportation and protection of values, as well as other facts and circumstances, the unauthorised access to which might adversely affect the interest of the state or another interest protected by law, specified by the Bulgarian National Bank's Governor pursuant to Article 26, paragraph 3 of the Law on Protection of Classified Information.

(2) (amended; Darjaven Vestnik, issue 45 of 2002; issue 10 of 2005; issue 59 of 2006; effective as of 1 January 2007; amended, Darjaven Vestnik, issue 106 of 2018) The employees of the Bulgarian National Bank shall observe secrecy concerning negotiations, deals contracted, the amount of assets on customers' deposits and their operations, the information received by the Bank, as well as any circumstances concerning the Bank's and its customers' activities which constitute business, banking, professional, commercial or another secrecy protected by law even after termination of their labour contract.

(3) The remuneration of the Bank's employees shall be determined by the Governing Council, but it shall not be less than the average remuneration for employees with similar functions in other banks in the country.

(4) (new; Darjaven Vestnik, issue 106 of 2018) The employees of the Bulgarian National Bank shall not be convicted of a premeditated crime of general character and judicially deprived of their right to hold the relevant position, and these circumstances shall be established *ex officio*.

Chapter Four

Monetary Unit, Banknotes and Coins

Article 24. The monetary unit of the Republic of Bulgaria shall be the lev (BGN), divisible into stotinkas 100.

Article 25. (1) The Bulgarian National Bank shall have the exclusive right to issue banknotes and mint coins.

(2) The banknotes and coins issued by the Bank shall be legal tender and obligatorily and without any restrictions accepted as payment at their full face value.

(3) The Bulgarian National Bank shall ensure the printing of banknotes and the minting of coins, as well as the preservation and destruction of banknotes and coins uncirculated or withdrawn from circulation.

(4) The banknotes and coins put into circulation by the Bank shall have face value, coverage, form and design as determined by the Governing Council.

(5) (amended, Darjaven Vestnik, issue 106 of 2018) Before putting into circulation a new banknote or coin, the Bank shall publish its exact description in the Darjaven Vestnik.

(6) (new, Darjaven Vestnik, issue 10 of 2005) The Governing Council may set a price different from the face value where banknotes and coins are sold.

(7) (new; Darjaven Vestnik, issue 106 of 2018) The Bulgarian National Bank shall issue an ordinance on enactment of paragraph 4.

Article 26. After informing the public through announcements in the Darjaven Vestnik and mass media, the Bulgarian National Bank may withdraw from circulation issued banknotes and coins which shall be redeemable at their face value. Upon the expiry of the deadline set by the Bank, such banknotes and coins shall be considered out of circulation and shall cease to be legal tender.

Article 27. (amended, Darjaven Vestnik, issue 10 of 2005; issue 59 of 2006; effective as of 1 January 2007) (1) The terms and procedure under which the Bulgarian National Bank and banks redeem or exchange Bulgarian banknotes and coins at partial value or face value shall be determined by the Bulgarian National Bank.

(2) (amended; Darjaven Vestnik, issue 59 of 2006; effective as of 1 January 2007; amended, Darjaven Vestnik, issue 106 of 2018) The Bulgarian National Bank, banks, financial institutions, exchange bureaus and service suppliers shall be required to retain for verification upon issuing a written document all Bulgarian or foreign banknotes and coins which have come under their control in whatever way and which are suspected of being non-genuine or having been counterfeited. The Bulgarian National Bank is the competent authority for conducting such verification and completing an expert assessment.

(3) (amended, Darjaven Vestnik, issue 59 of 2006; effective as of 1 January 2007) The entities under paragraph 2, as well as competent government bodies shall within three working days submit to the Bulgarian National Bank for conducting of an expert assessment the retained Bulgarian or foreign banknotes and coins, which are suspected of being non-genuine or having been counterfeited.

(4) The Bulgarian National Bank shall retain banknotes or coins and shall not redeem or return them where as a result of the expert assessment under paragraph 2 it has been established that these banknotes or coins are non-genuine or counterfeited.

(5) (new, Darjaven Vestnik, issue 59 of 2006; effective as of 1 January 2007) Banks and service suppliers shall sort out Bulgarian banknotes and coins which are unfit for circulation. They may not provide to customers such banknotes and coins.

(6) (new, Darjaven Vestnik, issue 59 of 2006; effective as of 1 January 2007) Banks and service suppliers shall submit to the BNB all Bulgarian banknotes and coins which are unfit for circulation.

(7) (new, Darjaven Vestnik, issue 59 of 2006; effective as of 1 January 2007) Reproduction of Bulgarian banknotes and coins shall take place only after the BNB's written consent.

(8) (former paragraph 5; Darjaven Vestnik, issue 59 of 2006; effective as of 1 January 2007) The Bulgarian National Bank shall issue an ordinance on enactment of this Article.

Chapter Five

Monetary Functions and Operations of the Bank

Article 28. (1) The aggregate amount of monetary liabilities of the Bulgarian National Bank shall not exceed the lev equivalent of the gross international reserves, and the lev equivalent shall be determined on the basis of the official exchange rate of the lev against the Deutschemark pursuant to Article 29.

(2) The aggregate amount of the monetary liabilities of the Bulgarian National Bank shall consist of:

1. all banknotes and coins in circulation issued by the Bulgarian National Bank;
2. any balances on accounts held by other parties with the Bulgarian National Bank, with the exception of the accounts held by the International Monetary Fund.

(3) The gross international reserves of the Bulgarian National Bank shall be equal to the market value of the following assets of the Bank:

1. banknotes and coins held in freely convertible foreign currency;
2. funds in freely convertible foreign currency held by the Bulgarian National Bank on accounts with foreign central banks or with other foreign financial institutions, whereof obligations are assigned one of the two highest ratings by two internationally recognized credit rating agencies;
3. the Special Drawing Rights (SDRs) of the International Monetary Fund held by the Bulgarian National Bank;
4. debt instruments held by the Bulgarian National Bank and issued by foreign countries, central banks, other foreign financial institutions or international financial organizations, whereof obligations are assigned one of the two highest ratings by two internationally recognized credit rating agencies, and which are payable in freely convertible foreign currency with the exception of debt instruments given or received as collateral;
5. (amended, Darjaven Vestnik, issue 10 of 2005) the balance on accounts receivable and accounts payable on forward or repurchase agreements of the Bulgarian National Bank, concluded with or guaranteed by foreign central banks, public international financial organizations or other foreign financial institutions, whose obligations are assigned one of the two highest ratings by two internationally recog-

nized credit agencies, as well as futures and options of the Bulgarian National Bank, binding foreign persons and payable in freely convertible foreign currency;

6. (amended, Darjaven Vestnik, issue 10 of 2005) the monetary gold holdings.

Article 29. (1) (amended, Darjaven Vestnik, issue 20 of 1999, effective as of 5 July 1999) The official exchange rate of the lev to the Deutschemark shall be BGN 1 *per* DEM 1.

(2) When the euro becomes legal tender in the Federal Republic of Germany, the official exchange rate of the lev to the euro shall be determined by multiplying the exchange rate as per paragraph 1 by the official exchange rate of conversion of the Deutschemark to the euro. Thus established exchange rate shall be published by the Bulgarian National Bank in the Darjaven Vestnik.

(3) (new; Darjaven Vestnik, issue 14 of 2020) As from the date of participation of the Republic of Bulgaria in the Exchange Rate Mechanism II, the official exchange rate of the lev to the euro shall be equal to the central rate between the euro and the lev, as agreed under paragraph 2.3 of the Resolution of the European Council on the establishment of an exchange rate mechanism in the third stage of economic and monetary union Amsterdam, 16 June 1997 and Articles 1.1 and 17.1 of the Agreement of 16 March 2006 between the European Central Bank and the national central banks of the Member States outside the euro area laying down the operating procedures for an exchange rate mechanism in stage three of Economic and Monetary Union.

Article 30. (amended, Darjaven Vestnik, issue 10 of 2005) On demand, the Bulgarian National Bank shall be bound to sell and purchase euro against levs up to any amount within the territory of this country on the basis of spot exchange rates which shall not depart from the official exchange rate by more than 0.5 per cent, inclusive of any fees, commissions and other charges to the customer.

Article 31. (1) (amended, Darjaven Vestnik, issue 10 of 2005) The Bulgarian National Bank may take any necessary action in connection with the acquisition, possession and sale of gross international reserves under Article 28, paragraph 3.

(2) (amended, Darjaven Vestnik, issue 10 of 2005) The Bulgarian National Bank shall invest its gross international reserves in accordance with the principles and practices of prudent investment, with investments in securities being limited to liquid debt instruments satisfying the provisions of Article 28, paragraph 3, item 4.

(3) (amended, Darjaven Vestnik, issue 10 of 2005) With the exception of the reserves under Article 28, paragraph 3, items 3 and 6, the lev equivalent of the gross international reserves denominated in currencies other than euro shall not deviate by more than two per cent, both plus or minus, from the lev equivalent of the Bank's total monetary liabilities denominated in these currencies.

(4) The total amount of the liabilities on loans drawn by the Bulgarian National Bank, which are denominated and payable in foreign currency, shall not be increased if this increase would result in an amount in excess of ten per cent of the assets of the Bulgarian National Bank as reported in the last balance sheet.

(5) The restriction under paragraph 4 shall not apply to any change in the amount of liabilities of the Bulgarian National Bank to the International Monetary Fund.

Article 32. The Bulgarian National Bank shall have the right to carry on:

1. credit operations against collateral;
2. precious metals operations;
3. foreign exchange operations;
4. deposit and financial investment operations;
5. operations connected with the payments turnover;
6. commission operations;
7. cross-border bank operations.

Article 33. (1) The Bulgarian National Bank may not extend credits to banks, except in the cases under paragraph 2.

(2) Upon emergence of a liquidity risk that may affect the stability of the banking system, the Bulgarian National Bank may extend to a solvent bank lev-denominated credits with maturity no longer than three months, provided they are fully collateralized by gold, foreign currency or other such high-liquid assets. The terms and procedure for extension of such credits, as well as the criteria establishing the occurrence of a liquidity risk, shall be determined by an ordinance of the Bulgarian National Bank.

(3) Credits under paragraph 2 may be extended solely up to the amount of the excess of the lev equivalent of the gross international reserves over the total amount of monetary liabilities of the Bulgarian National Bank.

Article 34. In the event of default in the repayment of any collateralized credit, the Bulgarian National Bank shall have the right to sell the collateral as received without litigation. The sale proceeds shall cover the Bank's claims in respect of the credit principal, interest and costs, and the current account of the borrower shall be credited with the balance.

Article 35. The Bulgarian National Bank shall announce the base interest rate for the corresponding period in accordance with a method determined by the Governing Council, and shall publish it in the *Darjaven Vestnik*.

Article 36. (1) Any unrealized profit of the Bank, arising from changes in the valuation of the Bank's assets or liabilities in gold or denominated in gold or in foreign currencies as a result of a change in the price or the rates of exchange of gold or foreign currencies against the lev, shall be assigned to a Special Reserve Account. Apart from the cases under paragraph 2, the amounts on this account may be used to cover other losses incurred by the Bank.

(2) (amended, *Darjaven Vestnik*, issue 10 of 2005) Losses arising from any change under paragraph 1 shall be covered by funds on the Special Reserve Account and by the Reserve Fund.

Article 37. The Bulgarian National Bank may:

1. buy and sell gold specie and bullion or other precious metals;

2. buy, sell or contract deals in foreign currencies using to this end all customary means;

3. open and maintain accounts with international financial institutions, central banks and other financial institutions outside this country;

4. open and maintain accounts or act as a representative or correspondent of international financial institutions, central banks and other financial institutions outside this country.

Article 38. The Bulgarian National Bank shall accept for safekeeping precious metals, securities and other valuables under conditions defined by the Governing Council. The Bank shall have the right to unilaterally discontinue its obligations of a depository by giving the depositor a written notice of 14 working days, after which the Bank may transfer any unclaimed valuables deposited for safekeeping to the common public warehouses for the account and at the risk of the said depositor.

Article 39. (1) (amended, Darjaven Vestnik, issue 49 of 1998, issue 39 of 2005, issue 108 of 2006: effective as of 1 January 2007, issue 59 of 2016, issue 83 of 2019) The Bulgarian National Bank shall accept from banks, the Council of Ministers, ministries and other government agencies, the Bulgarian Deposit Insurance Fund, the Investor Compensation Fund, the Bank resolution fund, the Investment Firms Resolution Fund, from the Central Depository AD for holding funds of the Financial Instruments Settlement Guarantee Fund, from international financial institutions, institutions and bodies of the European Union, as well as from municipalities money on current accounts or time deposits under conditions announced by the Governing Council.

(2) The Bank may decline any application for the opening of a current or deposit account, as well as close such an account by giving the account holder a written notice of 14 working days, without explaining the reasons for its actions.

(3) (amended, Darjaven Vestnik, issue 10 of 2005; issue 52 of 2007, effective as of 1 November 2007; repealed, Darjaven Vestnik, issue 20 of 2018)

Article 40. (1) For the purpose of facilitating non-cash payments, the Bulgarian National Bank may organize and operate payment systems and clearing offices, as well as issue ordinances providing for the establishment and operation of such systems and offices.

(2) The Bank, as a commissioner, shall have the right to effect collection of payments.

Chapter Six **Relationships with Banks**

Article 41. (1) The Bulgarian National Bank shall:

1. determine by an ordinance the minimum reserve requirements which banks shall be required to keep with the Bulgarian National Bank, the method of their calculation, as well as the terms and procedure for interest payments on them;

2. establish by an ordinance other terms and requirements for the maintenance of the stability of the credit system.

(2) Any bank, which fails to comply with the set minimum reserve requirements, shall pay penalty interest on the amount of the deficiency for the time until elimination of the said deficiency at a rate not exceeding the double amount of the base interest rate of the Bulgarian National Bank.

Article 42. (amended; Darjaven Vestnik, issue 59 of 2006, effective as of 1 January 2007; amended, Darjaven Vestnik, issue 20 of 2018) The Bulgarian National Bank shall draw up the balance of payments and shall keep monetary and interest rate statistics, as well as Bulgaria's financial accounts statistics. For this purpose all state and municipal bodies and legal and natural persons shall be obliged to submit data to the Bulgarian National Bank according to a procedure established by an ordinance of the BNB.

Chapter Seven

Relations between the Bulgarian National Bank and the State

Article 43. (amended, Darjaven Vestnik, issue 10 of 2005) (1) The Bulgarian National Bank shall act as the fiscal agent and depository of the State by virtue of concluded contracts at market conditions and prices of services.

(2) In its capacity of a fiscal agent and depository of the State, the Bulgarian National Bank:

1. shall provide bank service of the accounts and payments included in the single account system, on behalf and for the account of the Ministry of Finance;

2. shall collect and provide to the Ministry of Finance regular information on budget entities' bank accounts in the country;

3. shall act as an agent on government debts or government guaranteed debts;

4. may perform other activities agreed with the Minister of Finance.

(3) In its capacity of an agent on government debts, the Bulgarian National Bank shall keep government securities accounts, which are registered by debt acquirer.

(4) The Bulgarian National Bank may act as a representative by proxy of the Council of Ministers for purposes and under conditions agreed upon between the Council of Ministers and the Bank.

Article 44. (amended; Darjaven Vestnik, issue 10 of 2005) (1) (previous wording of Article 44; amended, Darjaven Vestnik, issue 106 of 2018) When exercising their powers and carrying out their duties under this Law, the Bulgarian National Bank, the Governor and the members of the Governing Council shall be independent and neither the Bank, nor the Governor, nor the members of the Governing Council shall seek or take any instructions from European Union institutions, bodies, offices or agencies, from the Council of Ministers or the governments of other EU Member States, as well as from any other bodies and institutions. The Council of Ministers and other bodies and institutions under sentence one shall not have the right to in-

fluence the Bulgarian National Bank, the Governor or the members of the Governing Council.

(2) (new; *Darjaven Vestnik*, issue 106 of 2018) In case of established close cooperation with the ECB under Article 7 of Regulation (EU) No 1024/2013, paragraph 1 shall not apply to the ECB in connection with the performance of its tasks under the same Regulation.

Article 45. (amended; *Darjaven Vestnik*, issue 10 of 2005) (1) (amended, *Darjaven Vestnik*, issue 106 of 2018) The Bulgarian National Bank shall not extend credit and guarantees in any form whatsoever to the Council of Ministers, municipalities, other government and municipal institutions, organizations and undertakings in the public sector, European Union institutions, bodies, offices or agencies, the central government, regional, local or other public authorities, other bodies governed by public law or public sector entities of EU Member States and shall not purchase debt instruments directly from them.

(2) Paragraph 1 shall not apply to extension of credits to state-owned and municipal banks in the cases under Article 33, paragraph 2.

(3) (amended, *Darjaven Vestnik*, issue 106 of 2018) The Bulgarian National Bank shall not purchase in the primary and secondary markets debt instruments issued by the Bulgarian government and municipalities, as well as by Bulgarian government and municipal institutions, organizations and public sector entities.

(4) (repealed, *Darjaven Vestnik*, issue 106 of 2018)

Chapter Eight

Accountancy and Balance Sheet

Article 46. The Bulgarian National Bank shall keep accounts and records in compliance with the Law on the Accountancy and in connection with international accounting standards.

Article 47. The fiscal year of the Bulgarian National Bank shall begin on 1 January and end on 31 December.

Article 48. (1) (amended, *Darjaven Vestnik*, issue 10 of 2005) The expenditure of the Bulgarian National Bank shall be made in accordance with the annual budget approved by the Governing Council of the Bulgarian National Bank and published in the *Darjaven Vestnik*.

(2) The administrative expenditure shall be made in accordance with a decision of the Governor or a Deputy Governor authorized by him.

(3) The reports on the budget outlays of the Bank shall be examined by the National Audit Office, which shall prepare a special report on the results of the examination. The report on the budget expenditure of the Bank shall be addressed to the National Assembly simultaneously with its annual report.

(4) (new, *Darjaven Vestnik*, issue 37 of 2006) The enactment of the Public Procurement Law shall be controlled by the National Audit Office. The Public

Financial Inspection Agency bodies shall not conduct inspections of the Bulgarian National Bank.

Article 49. (1) The Bulgarian National Bank shall:

1. publish weekly the balance sheet of the Issue Department, which shall show the position of its basic assets and liabilities, inclusive of the gross international reserves as per Article 28, paragraph 3 and the total amount of the Bank's monetary liabilities as per Article 28, paragraph 2;

2. publish in the *Darjaven Vestnik* the position of its basic assets and liabilities at the end of each month, presenting separate balance sheets of the Issue and Banking Departments, an annual financial statement and the profit and loss account of the Bank.

(2) The format and contents of the consolidated balance sheet of the Bulgarian National Bank as well as of the separate balance sheets of the Issue and Banking Departments, shall be determined by an ordinance issued by the Bank and shall comply with the requirements of the international accounting standards.

(3) (amended, *Darjaven Vestnik*, issue 10 of 2005) The consolidated financial statement of the Bulgarian National Bank shall be certified by an external auditor and shall be published together with the auditor's report in accordance with the requirements of the international accounting standards.

(4) (amended, *Darjaven Vestnik*, issue 37 of 2006) The external auditor shall be appointed by the Governing Council for a term of three years on the basis of a procedure under the Public Procurement Law.

Article 50. (amended, *Darjaven Vestnik*, issue 10 of 2005) The Bulgarian National Bank shall address the annual budget approved by the Governing Council to the National Assembly within a thirty-day period, and twice a year a report which reviews and assesses the Bank's activities during the previous period. This report shall be published.

Article 51. (amended, *Darjaven Vestnik*, issue 10 of 2005) The Bulgarian National Bank shall address its annual report on the Bank's activity, the consolidated financial statement, together with the auditor's report under Article 49, paragraph 3, and the budget report thereof to the National Assembly no later than 30 April of the following year.

Chapter Nine **Other Provisions**

Article 52. Distraints, enforcements and collateral on money and securities deposited with the Bulgarian National Bank shall be allowed only if they do not infringe on the rights of the Bank related to the said property.

Article 53. (1) The Bulgarian National Bank may set off on its receivables, which are still not due, where a bank has commenced liquidation of its business or has suspended payments on its debts, as well as in the cases where the Bulgarian National Bank has the right to collect receivables before their falling due.

(2) (amended, Darjaven Vestnik, issue 59 of 2007, effective as of 1 March 2008) The Bulgarian National Bank shall have the right to obtain an order for immediate execution under Article 418 of the Code of Civil Procedure on presentation of a statement of account proving arrears, including any interest due.

Article 54. (1) The Bulgarian National Bank may not acquire real estate and real rights, except for:

1. securing premises for the performance of its activity and housing for its employees;
2. protecting itself against losses arising from credit transactions.

(2) The Bank is obliged to dispose of any real estate under item 2 of paragraph 1 of this Article within three years after acquisition.

Article 55. (1) The Bulgarian National Bank shall have ownership right on the property owned and acquired by it, which shall be separate from state ownership.

(2) Acquisition of immovable and movable property and disposition thereof shall be effected by the Governor of the Bulgarian National Bank or by an official authorized by him according to a procedure established by the Governing Council and in compliance with the provisions of the State Property Law.

Article 56. Except in the cases provided for by this Law, the Bulgarian National Bank may not:

1. extend credits or buy securities or any other negotiable instruments;
2. maintain any deposits denominated or payable in levs;
3. maintain any deposits with local persons.

Article 57. The Bulgarian National Bank may incorporate or acquire interest in companies in connection with the activities performed by it. The Bank may not participate in companies in a general partner capacity.

Article 58. Specialized bank archives operating with a permanent set of documents shall be established at the Bulgarian National Bank. The procedure for attendance of the users of the said archives shall be determined by the Governing Council of the Bank.

Article 59. (amended, Darjaven Vestnik, issue 153 of 1998; issue 109 of 2001; issue 108 of 2006, effective as of 1 January 2007) The Bulgarian National Bank shall be exempt from paying state taxes and fees with the exception of the value added tax, excise duties and customs duties.

Article 59a. (new; Darjaven Vestnik, issue 106 of 2018) (1) The Bulgarian National Bank shall collect annual fees to cover the administrative costs arising from supervisory and resolution functions related to regulated entities.

(2) The procedure for setting the amount and manner of collecting the fees under paragraph 1 shall be laid down in an ordinance of the BNB.

Article 60. The Bulgarian National Bank shall adopt ordinances on enactment of this Law.

Chapter Ten

Administrative Penal Liability

Article 61. (1) (amended, Darjaven Vestnik, issue 10 of 2005; previous wording of Article 61, Darjaven Vestnik, issue 24 of 2009) Whoever commits or permits the commitment of a violation of this Law or legislative acts governing its enactment shall be fined in the amount of BGN 500 to BGN 3000, unless this violation constitutes a criminal offence. If the offender is a sole proprietor or a legal person, a property sanction shall be imposed in the amount of BGN 5000 to BGN 30,000.

(2) (new, Darjaven Vestnik, issue 24 of 2009) In case of repeated violation under paragraph 1, the fine or respectively the property sanction shall be double.

(3) (new, Darjaven Vestnik, issue 24 of 2009, effective as of 31 March 2009; supplemented, Darjaven Vestnik, issue 44 of 2009, effective as of 12 June 2009) The fines and property sanctions under paragraphs 1 and 2 shall also be imposed in case of violation of Regulation (EC) No 2182/2004 of the Council of 6 December 2004 concerning medals and tokens similar to euro coins amended by Regulation (EC) No 46/2009 of the Council of 18 December 2008 (OJ, L 17/5 of 22 January 2009); and Regulation (EC) No 2183/2004 of the Council of 6 December 2004 extending to the non-participating Member States the application of Regulation (EC) No 2182/2004 concerning medals and tokens similar to euro coins amended by Regulation (EC) No 47/2009 of the Council of 18 December 2008 (OJ, L 17/7 of 22 January 2009).

Article 62. (1) Statements for violations detected under Article 61 of this Law shall be drawn up by officers authorized by the Governor of the Bulgarian National Bank, and the penalty decree shall be issued by the Governor of the Bulgarian National Bank or by an official authorized by him.

(2) The ascertainment of a violation, the issue, appeal against and execution of penalty decrees shall be made in compliance with the Law on the Administrative Violations and Penalties.

Additional Provisions

(title amended, Darjaven Vestnik, issue 59 of 2006)

§ 1. ‘Spot exchange rate’ shall mean the price set for foreign currency transactions for immediate transfer by bank remittance within the period provided for by law or by the rules of banking practices.

§ 1a. (new, Darjaven Vestnik, issue 59 of 2006; effective as of 1 January 2007) ‘A service supplier’ shall be a person who carries out in his line of business activities and operations in banknotes and coins, including their sorting out, safekeeping, transportation and/or distribution.

§ 1b. (new, Darjaven Vestnik, issue 51 of 2016) Internationally recognised certificates in auditing and accounting shall be the following: Certified Internal Auditor (CIA); Certified Financial Services Auditor (CFSA), issued by the Institute

of Internal Auditors – an international professional association of internal auditors; Certified Information Systems Auditor (CISA), issued by the Information System Audit and Control Association; Certified Public Accountant (CPA), issued by the Association of Chartered Certified Accountants; Chartered Financial Analyst (CFA), issued by the Certified Financial Analysts Institute; Certified Fraud Examiner, issued by the Association of Certified Fraud Examiners.

§ 1c. (new, *Darjaven Vestnik*, issue 106 of 2018) ‘Banking secrecy’ shall be the information under Article 62, paragraph 2 of the Law on Credit Institutions.

§ 1d. (new, *Darjaven Vestnik*, issue 106 of 2018) ‘Professional secrecy’ shall be the information under Article 63, paragraph 1 of the Law on Credit Institutions, Article 158, paragraph 2 of the Law on the Payment Services and Payment Systems and Article 116 of the Law on Recovery and Resolution of Credit Institutions and Investment Firms.

Transitional and Final Provisions

§ 2. This Law shall repeal the Law on the Bulgarian National Bank (published in the *Darjaven Vestnik*, issue 50 of 1991; amended, issue 32 of 1996).

§ 3. The term of office of the Governor, Deputy Governors and other members of the Governing Council incumbent upon the entry of this Law into force shall be terminated.

§ 4. Until constitution of the Bulgarian National Bank managing bodies pursuant to the provisions of this Law, the functions of the said bodies shall be performed by the Governing Council incumbent upon the entry of this Law into force.

§ 5. Members of the opening Governing Council, constituted pursuant to this Law, shall be elected or appointed, as the case may be, for the following terms of office:

1. the Governor for six years;
2. the Deputy Governor heading the Issue Department for six years; the Deputy Governor heading the Banking Supervision Department for four years; and the Deputy Governor heading the Banking Department for two years;
3. of the other members, one for one year, another one for three years, and the third one for five years, as designated by the act of appointment.

§ 6. Ordinances on enforcement of the repealed Law on the Bulgarian National Bank, issued by the Bulgarian National Bank, shall remain in force insofar they do not contravene this Law.

§ 7. Until the passage of a State Coat-of-Arms Law, the Bulgarian National Bank shall retain its present seal.

§ 8. The total amount of monetary liabilities of the Bulgarian National Bank under Article 28, paragraph 2, item 2 shall not include any obligations thereby assumed before 31 December 1996 with an original maturity exceeding two years.

§ 9. The increase of capital of the Bulgarian National Bank from BGN 200,000 to BGN 20 million shall be for the account of the Reserve Fund of the Bulgarian National Bank.

§ 10. Within 14 days after the entry of this Law into force, the receivables of the Bulgarian National Bank from the State, as well as any other assets of the Bank related to obligations of the State to foreign creditors, shall be restructured in accordance with contracts concluded between the Governor of the Bank and the Minister of Finance.

§ 11. The following amendments and supplements are made to the Law on the State Budget Procedures (Darjaven Vestnik, issue 67 of 1996):

1. Paragraph 5 is created in Article 3:

‘(5) The Bulgarian National Bank may extend credits to the state budget under the terms and according to a procedure established by the Law on the Bulgarian National Bank.’

2. Article 32 is repealed.

§ 12. This Law shall enter into force on the day of its publication in the Darjaven Vestnik, except for the provisions of Articles 28, 29, 30, 31 and 49 which shall enter into force on 1 July 1997.

§ 13. The enforcement of this Law shall be assigned to the Governing Council of the Bulgarian National Bank.

LAW **on Amendment of the Law on the Bulgarian National Bank**

(published, Darjaven Vestnik, issue 10 of 28 January 2005)

.....

Final Provision

§ 27. (1) Paragraphs 3 and 4 of Article 45 shall apply until the date of entering into force of the Treaty of Accession of the Republic of Bulgaria to the European Union.

(2) For the obligations on credits extended by the Bulgarian National Bank before the date under paragraph 1 against purchases of Special Drawing Rights from the International Monetary Fund, government principal and interest payments shall be effected no later than the dates whereon the Bulgarian National Bank shall effect the relevant payments to the International Monetary Fund and up to amounts required for the said payments.

LAW
on Amendment of the Law on the Bulgarian National Bank

(published, Darjaven Vestnik, issue 48, effective as of 27 June 2015)

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Final Provision

§ 2. The Law shall enter into force as of the date of its publication in the Darjaven Vestnik.

LAW
on Amendment of the Law on the Bulgarian National Bank

(published in the Darjaven Vestnik, issue 106 of 21 December 2018)

.....

Transitional and Final Provisions

§ 15. Provisions of Article 64, paragraph 1, item 14a and of Chapter Eleven ‘A’ of the Law on Credit Institutions shall not apply from the date of termination of the close cooperation under Article 7 of Council Regulation (EU) No 1024/2013, or from the date when Bulgaria’s derogation under Article 139 of the Treaty on the Functioning of the European Union (TFEU) is abrogated under Article 140, paragraph 2 of TFEU.

§ 16. The Bulgarian National Bank shall issue:

1. the ordinance under Article 25, paragraph 7 within three months from the entry into force of this Law;
2. the ordinance under Article 59a, paragraph 2 until 31 October 2019;
3. ordinances under Article 11a, paragraph 1, Article 74, paragraph 4 and § 1, item 50 of the Law on Credit Institutions within three months from the entry into force of this Law.

§ 17. (1) Banks shall bring their activity in line with the requirements of this Law within three months from the entry into force of ordinances under § 16, item 3.

(2) Within the term under paragraph 1 banks shall provide to the BNB a list of key function holders. Data and documents certifying the suitability of persons to hold the relevant positions shall be enclosed to the list.

(3) The Bulgarian National Bank may require the bank to dismiss a person under paragraph 2, where it considers that the person does not satisfy the requirements under Article 11a, paragraph 1 of the Law on Credit Institutions.

§ 18. (1) For the ECB assessments necessary for participation in the EU Single Supervisory Mechanism by establishing close cooperation with the ECB, Bulgaria's credit institutions shall:

1. provide to the ECB data and documents as required;
2. ensure to the ECB access to the accounting registers, copies or extracts thereof;
3. ensure to the ECB full passive access to the accounting systems;
4. provide to the ECB written or verbal explanations;
5. provide to the ECB the information under items 1–3 or the access to such information from third parties, which have agreed thereof.

(2) Carrying out the assessment under Article 7, paragraph 2b, second indent of Regulation (EU) No 1024/2013, credit institutions established in Bulgaria shall allow the ECB to conduct on-site inspections at the business premises and at the premises of any other undertaking included in supervision on a consolidated basis.

(3) The obligations of credit institutions established in Bulgaria shall also apply to third parties to which the ECB has assigned tasks related to the assessment under Article 7, paragraph 2b, second indent of Regulation (EU) No 1024/2013 subject to the banking and professional secrecy requirements.

§ 19. The following amendments are made to the Law on Credit Institutions (published in *Darjaven Vestnik*, issue 59 of 2006; amended, issue 105 of 2006; issues 52, 59 and 109 of 2007; issue 69 of 2008; issues 23, 24, 44, 93 and 95 of 2009; issues 94 and 101 of 2010; issues 77 and 105 of 2011; issues 38, 44, 52, 70 and 109 of 2013; issues 22, 27, 35, 53 of 2014; issues 14, 22, 50, 62 and 94 of 2015; issues 33, 59, 62, 81, 95 and 98 of 2016; issues 63, 97 and 103 of 2017; and issues 7, 15, 16, 20, 22, 51 and 77 of 2018):

1. In Article 10:

- a) in paragraph 1, the original wording is corrected;
- b) paragraph 7 shall be inserted:

‘(7) Members of the management board (board of directors) and the supervisory board shall collectively possess sufficient knowledge, skills and experience to ensure effective risk management with a view to sound bank management.’

2. Article 10a shall be set forth:

‘Article 10a. (1) At least one of the members of the supervisory board or non-executive members of a bank's board of directors shall be independent.

(2) An independent board member shall be a person who:

1. is not an employee in the bank or a person occupying a position corresponding to senior management in a company of a group subject to prudential consolidation within the meaning of Chapter Two, Title II, Part One of Regulation (EU) No 575/2013, including where the parent undertaking is established in a third country;
2. does not hold directly or indirectly a qualifying holding in the bank;
3. is not a member of the management board or an executive member of the board of directors of a bank or a company in a group subject to prudential consolidation within the meaning of Chapter Two, Title II, Part One of Regulation (EU) No

575/2013, including where the parent undertaking is established in a third country, and has not occupied such a position for the previous five years;

4. has not been a member of a bank's management body for 12 consecutive years or longer;

5. has no material financial or business relationships with the bank;

6. receives no significant fees or other benefits in addition to the remuneration for performing his or her functions;

7. is not a spouse, relative in a direct line without limitation or in a collateral line to the second degree of a member of the management board or an executive member of the board of directors of a bank or a company in a group subject to prudential consolidation within the meaning of Chapter Two, Title II, Part One of Regulation (EU) No 575/2013, including where the parent undertaking is established in a third country, and is not in factual cohabitation with such a person.

(3) Independent members under paragraph 1 shall comprise not less than one-third of members for significant banks and banks whose shares are admitted to trading on a regulated market.'

3. In Article 11:

a) in paragraph 1, item 2 the wording 'has the sufficient qualifications and professional experience in banking' is replaced by 'has sufficient qualifications and professional experience in the banking or financial sector to perform the relevant functions';

b) new paragraph 4 shall be inserted:

'(4) The Bulgarian National Bank shall refuse to issue an approval under paragraph 3 where the person fails to satisfy the requirements under paragraphs 1 and 2, or where the required data and documents have not been provided or they contain incomplete, contradictory or incorrect information.';

c) the existing paragraphs 4 and 5 shall become paragraphs 5 and 6, respectively;

d) the former paragraph 6 is repealed.

4. Article 11a shall be set forth:

'Article 11a. (1) Key function holders in a bank shall satisfy the requirements under Article 11, paragraph 1, item 1 and items 3–8 and possess sufficient knowledge, skills and experience to perform their functions in accordance with criteria established by an ordinance.

(2) Key function holders shall be:

1. the chief financial officer and heads of internal audit, compliance and risk management units where they are not members of the management board (board of directors) or supervisory board;

2. heads of bank branches in other states;

3. other persons who, according to the bank, have significant influence over its governance.

(3) The documents certifying the compliance with the requirements under paragraph 1 shall be laid down in the ordinance under paragraph 1.

(4) The Bulgarian National Bank shall carry out a suitability assessment of the persons under paragraph 2 to ensure compliance with the requirements under paragraph 1.

(5) Banks shall notify the BNB within ten days from the date of appointment of any newly appointed person under paragraph 2 and shall enclose the documented assessment carried out by the bank on compliance with the requirements under paragraph 1.

(6) The Bulgarian National Bank shall carry out the assessment under paragraph 4 within four months of the receipt of the notification.

(7) Where until the expiry of the term under paragraph 6 the BNB has not raised objections in writing to the bank on the appointment of the respective person, it shall be considered that there are no reasons for his/her dismissal.

(8) Where within the term under paragraph 6 the BNB has raised objections in writing to the bank against the appointment of a person under paragraph 2, the bank shall within one month of the receipt initiate measures on the objections, or remove the person from the respective position notifying the BNB of the measures taken. Where the BNB does not approve the measures taken by the bank, the bank shall dismiss the person under paragraph 2 within one month of the notification thereof.

(9) Paragraphs 5–8 shall also apply to a re-assessment in case of changes in the scope of the relevant position or a re-appointment of persons under paragraph 2.’

5. Item 14a is created in Article 64, paragraph 1:

‘14a. the European Central Bank (ECB), where this information is required for performing its tasks under Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ, L 287/63 of 29 October 2013) hereinafter referred to as Regulation (EU) No 1024/2013.’

6. In Article 73:

a) paragraph 1 shall be amended, as follows:

‘(1) The management body of each bank shall adopt and regularly review policies, rules and procedures for bank’s organization in accordance with the best internationally recognized practices for corporate governance of banks, including at least:

1. the bank’s management and organization structure with well-defined, transparent and consistent lines of responsibility;

2. the administrators’ powers and responsibilities, including the division of functions among members of bank’s management and controlling bodies;

3. the business strategy and the plan of the bank’s activity;

4. the strategies and policies for taking up, managing, monitoring and mitigating the risks the bank is or might be exposed to, including those posed by the macro-economic environment in which it operates in relation to the status of the business cycle;

5. the procedure for preparing and the scope of management information;
6. the operational control organization, including rules and procedures for approving, carrying out and reporting transactions;
7. the internal control framework that includes independent risk management units, regulatory compliance and internal audit;
8. the policies for selection and evaluation of members of bank's management and controlling bodies, induction and training of members of bank's management and controlling bodies, and encouraging a wide range of qualities and skills of the members;
9. the policy for preventing conflicts of interests;
10. the outsourcing policy;
11. the systems for prevention against the risk of money laundering.'

b) a new paragraph 2 shall be inserted:

'(2) The policies, rules and procedures referred to in paragraph 1 shall be comprehensive and proportionate to the size, nature, scale and complexity of the bank's activity and the risks it is exposed to, and shall ensure its prudent and effective management.'

c) the existing paragraphs 2, 3 and 4 shall become paragraphs 3, 4 and 5, respectively;

d) the existing paragraph 5 shall become paragraph 6 and the wording 'including the policies, rules and procedures referred to in paragraph 1' shall be added in it after the wording 'structure of the bank';

e) the existing paragraph 6 shall become paragraph 7.

7. In Article 73c, paragraph 1, the first sentence shall be amended, as follows: 'Each significant bank shall establish a nomination committee for the selection of candidates for members of the management and controlling bodies.'

8. In Article 74, paragraph 4, the wording 'and effective' shall be added after the wording 'shall have in place appropriate' and a second sentence shall be inserted: 'The minimum requirements for the procedure shall be laid down in an ordinance'.

9. In Article 79:

a) new paragraph 3 shall be inserted:

'(3) In exercising the macroprudential supervision under paragraph 2, the Bulgarian National Bank shall:

1. collect information for the purposes of its macroprudential mandate;
2. monitor, identify and assess the impact of systemic risks on credit institutions and banking system;
3. develop and implement measures to mitigate systemic risks under Article 458, paragraph 2, letter 'd' of Regulation (EU) No 575/2013;
4. develop and implement measures to limit systemic risks stemming from the accumulation of excessive credit growth; the measures concern banks' credit activity and shall include:

a) the loan amount to collateral value (loan-to-value or LTV) ratio requirements;

b) the loan amount to borrower's annual income (loan-to-income or LTI) ratio requirements;

c) the debt service payments to borrower's monthly income (debt service-to-income or DSTI) ratio requirements;

d) requirements in respect of the maximum duration of the loan agreement;

e) requirements in respect of loan repayment terms;

f) other requirements related to the granting of a loan;

5. develop and implement measures to limit the risk of concentration to certain economic sectors and industries;

6. develop and implement additional minimal requirements in respect of liquidity;

7. carry out any other actions necessary to achieve the objectives under paragraph 2.;

b) the existing paragraphs 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12 shall become paragraphs 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13, respectively.

10. Chapter Eleven 'A' with Articles 121b – 121e shall be inserted:

Chapter Eleven 'A'

CLOSE COOPERATION

Article 121b. (1) From the date on which the close cooperation begins according to ECB decision establishing a close cooperation under Article 7, paragraph 2 of Regulation (EU) No 1024/2013, the BNB shall adhere to the guidelines or requests issued by the ECB, and shall take the necessary measures to implement the ECB's legal acts adopted pursuant to Regulation (EU) No 1024/2013, including by issuing the necessary administrative acts.

(2) With respect to the significant supervised entities or significant supervised groups within the meaning of Regulation (EU) No 1024/2013, established in the Republic of Bulgaria, the BNB shall issue individual administrative acts only upon request issued by the ECB in carrying out its prudential supervision tasks under Article 4, paragraphs 1 and 2 of Regulation (EU) No 1024/2013, and in full compliance with it.

(3) With respect to the less significant supervised entities or less significant supervised groups within the meaning of Regulation (EU) No 1024/2013, established in the Republic of Bulgaria, in the cases concerning ECB's performance of the tasks under Article 4, paragraph 1, letters 'a' and 'c' of Regulation (EU) No 1024/2013, the BNB shall issue individual administrative acts only upon a request issued by the ECB and in full compliance with it, unless otherwise provided for by Regulation (EU) No 1024/2013 or a legal act of the ECB. In the cases of requests issued by the ECB, the BNB shall issue individual administrative acts for the execution of the tasks under Article 4, paragraph 1, letter 'b', letters 'd' to 'g' and letter 'i' of Regulation (EU) No 1024/2013 in full compliance with such requests.

(4) With respect to the exercise of the tasks referred to in Article 5 of Regulation (EU) No 1024/2013, the BNB shall comply with the ECB request for the applica-

tion of higher requirements for capital buffers or the application of more stringent measures aimed at addressing systemic or macroprudential risks at the level of credit institutions in cases where the ECB deems that such higher requirements or more stringent measures are necessary.

Article 121c. The Bulgarian National Bank shall, without undue delay, notify the ECB of the acts issued under Article 121b.

Article 121d. In the case of requests issued by the ECB for the imposition of pecuniary sanctions or fines in the context of close cooperation, the provisions of Chapter Fifteen shall apply.

Article 121e. For the purpose of the exchange of information under Article 6 of Regulation (EU) No 1024/2013, the BNB shall provide the ECB with all the information necessary for the performance of ECB's tasks under the same Regulation, including such that constitutes banking and professional secrecy.'

11. In § 1 of the Additional Provisions, items 50 and 51 shall be inserted:

'50. 'Significant bank' shall be a bank designated as significant by the BNB taking into account its size and internal organization, and the nature, scale and complexity of the activity it carries out. The terms and procedure for designating a bank as significant shall be specified in an ordinance.

51. 'Chief Financial Officer' shall be the person who is responsible for the activities related to financial resources management, financial planning and financial reporting.'

§ 20. In Article 38, item 8 of the Law on Recovery and Resolution of Credit Institutions and Investment Firms (published in *Darjaven Vestnik*, issue 62 of 2015; amended, issue 59 of 2016; issues 85, 91 and 97 of 2017; issues 15 and 20 of 2018), the words 'Article 73, paragraph 6' shall be replaced by 'Article 73, paragraph 7'.

§ 21. In § 2, paragraph 3 of the Additional Provisions of the Law on Mortgage-backed Bonds (published in *Darjaven Vestnik*, issue 83 of 2000; amended, issue 59 of 2006; issues 52 and 59 of 2007 and issue 24 of 2009), the words 'Article 73, paragraph 4' shall be replaced by 'Article 73, paragraph 5'.

This Law was adopted by the 44th National Assembly on 13 December 2018, and the official seal of the National Assembly was affixed on it.