

# **Ordinance No 11**

## **of the BNB**

### **of 1 March 2007**

## **on Bank Liquidity Management and Supervision**

(Published in the Darjaven Vestnik, issue 22 of 13 March 2007; amended; Darjaven Vestnik, issue 85 of 2010; amended; Darjaven Vestnik, issue 40 of 2014; amended; Darjaven Vestnik, issue 61 of 2018)

### *Chapter One*

### **General Provisions**

#### **Subject**

**Article 1.** (1) This Ordinance shall provide for banks' liquidity management requirements and the procedure for exercising liquidity supervision by the Bulgarian National Bank (BNB).

(2) Banks shall manage their liquidity in a manner that ensures they can regularly and without delay meet their daily obligations, both in a normal banking environment and in a crisis situation.

(3) (repealed; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010)

(4) (repealed; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010)

(5) (new; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) Banks shall apply robust strategies, policies, processes and systems for identification, measurement, management and monitoring of liquidity risk, which shall meet the following requirements:

1. they are developed over an appropriate set of time horizons, including intraday, so as to ensure that banks maintain adequate levels of liquidity buffers;

2. they shall be tailored to business lines, currencies and entities in the group and shall include adequate allocation mechanisms of liquidity costs, benefits and risks;

3. they shall be proportionate to the complexity, risk profile, scope of operation of the bank and risk tolerance set by the management body of the bank;

4. they shall reflect the bank's importance in each Member State in which it carries on business.

(6) (new; Darjaven Vestnik, issue 85 of 2010; effective as of 31 December 2010; amended; Darjaven Vestnik, issue 40 of 2014; amended, Darjaven Vestnik, issue 61 of 2018) The system for identification, measurement, management and monitoring

of liquidity risk (liquidity management system) shall be stable and well-functioning, with the main objective to hold liquid assets to cover mismatches between cash inflows and outflows.

## *Chapter Two*

### **Liquidity Management System**

#### **Requirements**

**Article 2.** (1) (new; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) The liquidity management system shall include:

1. rules and procedures for identification, measurement, management and monitoring of liquidity;
2. the liquidity management body directly subordinated to the bank's competent managing body;
3. effective management information system.

(2) (former wording of Article 2, amended; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) The liquidity management system shall meet the following requirements:

1. (repealed; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010)
2. (amended; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) the competent managing body shall ensure an adequate management structure for effective liquidity management in accordance with the approved strategies, policies, rules, procedures and systems for measurement and management of the liquidity risk;
3. (amended; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) the competent managing body has set a liquidity risk tolerance and relevant position limits and liquid buffers which shall be periodically reviewed over the individual time horizons;
4. the management information system for monitoring, measuring and controlling liquidity risk shall comprise net cash flows and liquidity positions in BGN and in most often used foreign currencies;
5. (amended; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) each bank shall maintain the required degree of diversification of liabilities ensuring liquid funds for their repayment in conformity with their maturity structure and market conditions, and shall also have regard to existing legal, regulatory and operational limitations to potential transfers of liquidity and unencumbered assets;
6. (amended; Darjaven Vestnik, issue 85 of 2010; effective as of 31 December 2010, amended; Darjaven Vestnik, issue 61 of 2018) Each bank shall conduct periodic stress tests, scenario analyses and liquidity assessments under adverse circum-

stances by using alternative scenarios on liquidity positions and risk mitigants; the alternative scenarios shall also address off-balance sheet items, including liabilities to securitisation special purpose entities (SSPE) or other special purpose entities, in relation to which the bank acts as a sponsor or provides material liquidity support; the bank shall review the assumptions on alternative scenarios at least annually;

7. (amended; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) each bank shall exercise internal liquidity management control which includes a regular independent overview and assessment of the system efficiency, compliance with liquidity management rules and prescriptions made.

### Internal Rules

**Article 3.** (1) The competent managing body of each bank shall adopt internal liquidity management rules.

(2) The internal liquidity management rules shall specify:

1. liquidity management principles for implementing the bank's normal operations under a 'going concern' scenario;

2. (new; Darjaven Vestnik, issue 40 of 2014; amended; Darjaven Vestnik, issue 61 of 2018) liquidity recovery plans under a 'going concern' scenario providing for adequate strategies and appropriate measures for their implementation in order to address possible liquidity shortfalls, including with regard to branches in other Member States or third countries; these plans shall be updated at least annually based on the results of alternative scenarios under Article 2, paragraph 2, item 6;

3. (amended, Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010; former item 2; Darjaven Vestnik, issue 40 of 2014; amended, Darjaven Vestnik, issue 61 of 2018) contingency plans involving the measures, actions and relevant responsibilities to be activated in the event of the bank experiencing a liquidity crisis; these plans shall be subject to a periodic review, updating on the basis of the results of applied alternative scenarios, reporting and approvals by the competent managing body and shall lead to appropriate changes in internal policies and processes;

4. (former item 3; Darjaven Vestnik, issue 40 of 2014; repealed; Darjaven Vestnik, issue 61 of 2018)

5. (new; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010; former item 4; Darjaven Vestnik, issue 40 of 2014; amended; Darjaven Vestnik, issue 61 of 2018) a methodology for identifying, measuring, managing and controlling on an ongoing basis the sources of financing, involving current and projected significant cash flows arising from assets, liabilities and off-balance-sheet exposures set out in Annex I 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 (OJ, L 176/1 of 27 June 2013), hereinafter referred to as Regulation (EU) No 575/2013 and the possible impact of the reputational risk;

6. (new; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010; former item 5; Darjaven Vestnik, issue 40 of 2014) liquidity risk mitigation tools, including a system of limits and liquidity buffers in order to be able to withstand a range of different stress events and an adequately diversified funding structure and access to funding sources;

7. (former item 4; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010; former item 6; Darjaven Vestnik, issue 40 of 2014) the powers, structure and composition of the liquidity management body;

8. (former item 5; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010; former item 7; Darjaven Vestnik, issue 40 of 2014) the duties of bank employees and competent managers responsible for liquidity monitoring, reporting and management.

(3) (new; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) Banks shall distinguish between pledged and unencumbered assets that are available at all times, in particular during emergency situations. Banks shall take into account the legal entity in which assets reside, the country where assets are legally recorded either in a register or in an account, as well as their eligibility. They shall also monitor how assets can be mobilised in a timely manner.

(4) (former paragraph 3; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) Internal rules and material amendments thereto shall be submitted to the Bulgarian National Bank for review within ten days from their adoption.

(5) (new; Darjaven Vestnik, issue 40 of 2014) Banks shall take the necessary operational measures in advance to ensure that liquidity recovery plans can be implemented immediately.

(6) (new; Darjaven Vestnik, issue 40 of 2014) The measures under paragraph 5 may include holding of assets which can be immediately used for obtaining funding from the BNB in accordance with Ordinance No 6 of the BNB on Extending Collateralised Lev Loans to Banks (Darjaven Vestnik, issue 28 of 1998). Where necessary, the measures shall include holdings of assets in currency of another Member State or a third country, corresponding to the foreign currency and maturity structure of the attracted funds of the bank.

### **Liquidity Management Body**

**Article 4.** (1) Each bank shall constitute a liquidity management body which shall be directly accountable to the competent managing body of the bank and shall have as members at least one of the individuals under Article 10, paragraph 1 of the Law on Credit Institutions.

(2) The liquidity management body shall be responsible for developing and employing the liquidity management system.

(3) (amended; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) The liquidity management body shall prepare contingency plans in case of unexpected outflows of funds due to unforeseen events or adverse circumstances,

taking into account the potential impact of institution-specific, market-wide and combined alternative scenarios. Different time horizons and varying degrees of stressed conditions shall be considered.

(4) (amended; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) The liquidity management body shall periodically submit reports to the competent managing body concerning its operational decisions, including also results of the periodic stress tests, taking into account the outcome of the alternative scenarios referred to in paragraph 3.

(5) (new; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) The competent managing body shall review and assess periodically the effectiveness of the decisions under paragraph 4 and shall also adjust accordingly the strategies, internal rules and limits for liquidity risk, in which appropriate measures for applying them in possible liquidity shortfalls are envisaged.

(6) (new; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) The competent managing body shall communicate risk tolerance to all relevant business lines.

### **Management Information System**

**Article 5.** (1) (amended; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) The system for measurement, monitoring and controlling bank's liquidity shall maintain all information required for the current calculation of the liquidity position taking into account the liquidity profile of the bank and liquidity of the markets on which the bank operates.

(2) The system shall be based on:

1. (amended; Darjaven Vestnik, issue 61 of 2018) constructing and maintaining the maturity ladder;

2. assessing cash inflows and outflows; and

3. (amended; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) calculating the required amounts of liquid assets and liquid buffers.

4. (new; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010) using adequate allocation mechanisms of liquidity costs, benefits and risks.

### **Treatment of Minimum Required Reserves**

(new ; Darjaven Vestnik, issue 61 of 2018)

**Article 5a.** Minimum required reserves and excess reserves maintained by banks under Article 41 of the Law on the BNB shall be treated in their entirety as liquid assets within the meaning of Article 10, paragraph 1, item 'b', sub-item 'iii' of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions.

### **Maturity Ladder**

**Article 6.** (repealed; Darjaven Vestnik; issue 61 of 2018)

### **Cash Flow Assessment**

**Article 7.** (repealed; Darjaven Vestnik; issue 61 of 2018)

### **Liquid Assets**

**Article 8.** (repealed; Darjaven Vestnik; issue 61 of 2018)

## *Chapter Three*

### **Liquidity Supervision**

#### **Reporting in the Event of a Liquidity Problem**

(title amended; Darjaven Vestnik, issue 61 of 2018)

**Article 9.** (repealed; Darjaven Vestnik, issue 61 of 2018)

(former paragraph 2; amended; Darjaven Vestnik, issue 61 of 2018) If the BNB finds out that a bank has a material liquidity problem that requires immediate measures to be taken, the Deputy Governor heading the Banking Supervision Department may oblige the bank to submit its liquidity reports on a weekly or daily basis to reflect its plans for survival.

(3) (repealed; Darjaven Vestnik, issue 61 of 2018)

(4) (new; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010; (repealed; Darjaven Vestnik, issue 61 of 2018)

### **On-site Inspections**

**Article 10.** (repealed; Darjaven Vestnik; issue 61 of 2018)

#### **Supervisory Review and Evaluation Process of the Liquidity Management System**

(title amended; Darjaven Vestnik, issue 85 of 2010,  
effective as of 31 December 2010)

**Article 11.** (amended; Darjaven Vestnik, issue 85 of 2010; effective as of 31 December 2010; amended; Darjaven Vestnik, issue 40 of 2014; amended; Darjaven Vestnik, issue 61 of 2018) The supervisory review under Article 79c of the Law on Credit Institutions and supervisory examinations under Article 80a of the Law on Credit Institutions shall address the level and management of liquidity risk, including the development of alternative scenarios, liquidity risk mitigation techniques, particularly the levels, composition and quality of liquid buffers, and of effective contingency plans. The supervisory review and examinations shall also address the

development of liquidity risk profiles, including parameters and volumes of the products in bank portfolios, financing policies and concentrations thereto.

(2) (amended; Darjaven Vestnik, issue 61 of 2018) The Bulgarian National Bank shall continually assess the stability of liquidity risk management in each bank, including the adequacy of the bank's survival strategy, should it be subject to a run on deposits, on the basis of the reports submitted under Part Six of Regulation (EU) No 575/2013.

(3) (amended; Darjaven Vestnik, issue 61 of 2018) In conducting the supervisory review under paragraph 1, the BNB shall take into account the role of the bank for financial markets and the liquidity situation in the whole banking system.

(4) The Bulgarian National Bank shall duly consider the potential impact of exercising its supervisory powers under this Ordinance on the financial stability of other Member States.

### **Monitoring of Liquidity Risk Profiles**

(new; Darjaven Vestnik, issue 40 of 2014)

**Article 11a.** (repealed; Darjaven Vestnik; issue 61 of 2018)

### **Enforcement Measures**

(title amended; Darjaven Vestnik, issue 61 of 2018)

**Article 12.** (1) (amended; Darjaven Vestnik, issue 85 of 2010, effective as of 31 December 2010; repealed; Darjaven Vestnik, issue 61 of 2018)

(former paragraph 2; amended; Darjaven Vestnik, issue 61 of 2018) Where an individual bank is in violation of the requirements of this Ordinance, the BNB may impose the administrative measures provided for in Article 103, paragraph 2 and Article 103a, paragraph 1 of the Law on Credit Institutions, as well as measures under Article 44, paragraph 3 of the Law on the Recovery and Resolution of Credit institutions and Investment Firms.

### **Additional Provisions**

(new; Darjaven Vestnik, issue 40 of 2014)

§ 1. (amended; Darjaven Vestnik, issue 61 of 2018) Within the meaning of this Ordinance:

1. 'securitisation special purpose entities (SSPE)' shall be a concept under Article 4, paragraph 1, item 66 of Regulation (EU) No 575/2013.

2. 'maturity ladder' shall be the reporting of additional indicators chosen to monitor liquidity under Article 16b, paragraph 1, letter 'c' of Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ, L 191 of 28 June 2014).

§ 2. This Ordinance transposes into the Bulgarian legislation the requirements of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

§ 3. (former § 1 of the Transitional and Final Provisions; Darjaven Vestnik, issue 40 of 2014) This Ordinance is issued on the grounds of Article 42 in connection with § 13 of the Law on Credit Institutions, and is adopted by Resolution No 25 of 1 March 2007 of the Governing Council of the Bulgarian National Bank and repeals Ordinance No 11 on Liquidity Management and Supervision of Banks (Darjaven Vestnik, issue 125 of 1997).

§ 4. (former § 2 of the Transitional and Final Provisions; Darjaven Vestnik, issue 40 of 2014; repealed; Darjaven Vestnik; issue 61 of 2018)

**Ordinance**  
**on Amendment of Ordinance No 11 of 2007**  
**on Bank Liquidity Management and Supervision**

(published in the Darjaven Vestnik, issue 85 of 2010,  
effective as of 31 December 2010)

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**Transitional and Final Provisions**

§ 11. This Ordinance is issued on the grounds of Article 16, item 5 of the Law on the Bulgarian National Bank and Article 42, paragraph 2 in connection with § 13 of the Transitional and Final Provisions of the Law on Credit Institutions and is adopted by Resolution No 95 of 6 October 2010 of the Governing Council of the Bulgarian National Bank.

§ 12. This Ordinance shall come into force as of 31 December 2010.



**Ordinance  
on Amendment of Ordinance No 11 of 2007  
on Bank Liquidity Management and Supervision**

(published in the Darjaven Vestnik, issue 40 of 13 May 2014)

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**Transitional and Final Provisions**

§ 8. The first report under Ordinance No 11 of 2007 on Bank Liquidity Management and Supervision (published; Darjaven Vestnik, issue 22 of 2007; amended; Darjaven Vestnik, issue 85 of 2010) according to these amendments shall be submitted to the Bulgarian National Bank with data as of 31 May 2014.

§ 9. This Ordinance is issued on the grounds of Article 42, paragraph 2 in connection with § 13 of the Transitional and Final Provisions of the Law on Credit Institutions and is adopted by Resolution No 47 of 24 April 2014 of the Governing Council of the Bulgarian National Bank.

**Ordinance  
on Amendment of Ordinance No 11 of 2007  
on Bank Liquidity Management and Supervision**

(published in the Darjaven Vestnik, issue 61 of 24 July 2018)

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**Transitional and Final Provision**

§ 14. This Ordinance is issued on the grounds of Article 42 in connection with § 13 of the Transitional and Final Provisions of the Law on Credit Institutions and is adopted by Resolution No 190 of 16 July 2018 of the Governing Council of the Bulgarian National Bank.

