

**PROCEDURE FOR DEFERRAL AND SETTLEMENT OF LIABILITIES PAYABLE TO  
BANKS AND THEIR SUBSIDIARIES – FINANCIAL INSTITUTIONS IN RELATION TO  
THE STATE OF EMERGENCY ENFORCED BY THE NATIONAL ASSEMBLY ON 13  
MARCH 2020 AS A RESULT OF THE COVID- 19 PANDEMIC**

**I. INTRODUCTION**

In relation to the COVID-19 pandemic,

- led by their aspiration to ensure a stable, reliable and secure financial system, resilient to external events and influences;
- expressing their readiness to assist in a balanced manner in the protection of their customers' interests, and to continue providing high quality of banking services;
- striving to propose a mechanism of alleviated servicing of performing exposures to their borrower customers affected by the measures related to the COVID-19 pandemic,

banks and their subsidiaries – financial institutions, on the grounds of letter, Outgoing Ref No. BNB-34578/03.04.2020 of the Bulgarian National Bank, and in compliance with the Guidelines of the European Banking Authority of 2 April 2020 – Guidelines on legislative and non-legislative moratoria on loan repayments applied in light of the COVID-19 crisis (EBA/GL/2020/02), prepared and offer to their customers the following general opportunities for deferral and settlement of liabilities:

**II. GENERAL RULES**

**1. The rules for deferral and settlement of liabilities, set out below, shall be applicable to customers who cumulatively meet the following conditions:**

1.1. Borrowers (bank customers), with the exception of credit institutions, which face or are expected to face difficulties in the repayment of their liabilities under the agreement concluded with the creditor, in relation to the COVID-19 pandemic and the restrictions enforced with the Law on the Measures and Actions during a State of Emergency, announced by a resolution of the National Assembly of 13 March 2020 and the consequences thereof.

1.2. As of 1 March 2020 the obligations of the customers under item 1.1 were regularly serviced or were not more than 90 days past due.

1.3. The customers explicitly express the desire to avail of the concessions offered by the creditor.

**2. General Parameters of the Concessions**

2.1. Every bank that has accepted to implement this procedure for deferral and settlement of payable liabilities shall announce publicly the proposed concessions on its website, the banks' public premises and in any other appropriate manner. The announcement shall be deemed made to all customers meeting the above requirements. The announcement

shall indicate the procedure for the bank to negotiate deferral of liabilities, and the starting time for its application.

2.2. Liabilities shall be deferred for a period of up to 6 months, which shall expire not later than 31 December 2020. The end date may vary depending on the date when the customer requested to avail of the deferral, and on the existence of overdue payments as of that date.

2.3. The deferral may cover all payable amounts or only the principal. The period of deferral shall also be called 'grace period', for short.

2.4. The amounts outstanding on the initially agreed maturity dates shall be repaid in installments after the expiry of the grace period, according to the respective deferral mechanism, unless it is explicitly otherwise provided for in the applicable mechanism.

2.5. Every customer meeting the requirements under item 1 may request deferral no later than 22 June 2020, and the creditor must make its decision by 30 June 2020.

2.6. The request may include both installment payments that were overdue before filing of the request, and installment payments not yet due. If the customer is not overdue as of the date of the deferral request, the deferral shall be applied only to future payments – to installment payments not yet matured.

2.7. The date the customer made the request to use a deferral shall not change the overall time coverage of the deferral, as referred to in item 2.2.

2.8. The customer has the choice to opt out of the granted grace period earlier than the granted time, and to request preparation of a repayment plan.

2.9. The mechanism offered for deferral and settlement of liabilities shall apply only to those under contracts concluded before 31 March 2020.

### **III. DEFERRAL MECHANISMS**

#### **3. Mechanism No. 1 – deferral of principal and interest for up to 6 months**

3.1. The amounts payable (principal and interest) are deferred for a term of up to 6 months, but not later than by 31 December 2020.

3.2. The whole outstanding debt, together with the outstanding principal for the time of the grace period under item 3.1 shall be repaid according to a new repayment plan within a term up to 6 months longer than the initial one, depending on the number of deferred installment payments.

3.3. To each payment under the repayment plan until the expiry of the term of the loan, or another reasonable shorter period agreed with the borrower, an equal portion of the interest not repaid during the grace period shall be added.

#### **4. Mechanism No. 2 – deferral of principal for up to 6 months**

4.1. The principal payments due shall be deferred for a period of up to 6 months, but not later than 31 December 2020.

4.2. The interest due for the period shall be paid according to the loan agreement.

4.3. After the expiry of the grace period, a new repayment plan shall be prepared, which shall cover the whole outstanding debt, including the principal not paid during the grace period. The new repayment plan shall be extended depending on the number of unpaid installments, but by no more than 6 months.

## **5. Mechanism No. 3, applicable to revolving products**

5.1. Revolving of a credit line shall be allowable, although the installment payments due, or parts thereof, are not repaid. Repayment of the installments shall be postponed for a term of up to 6 months, but not later than 31 December 2020.

5.2. No minimum amount shall be set for revolving of a credit limit on a credit card, as of 1 February 2020 at the earliest, for a period of up to 6 months, but not later than 31 December 2020. After the expiry of the grace period, setting a minimum amount for revolving shall recommence, and the loan shall be serviced according to the initial loan agreement.

5.3. For a term of up to 6 months, but not later than 31 December 2020, the monthly interest due on the overdraft loan shall be repaid against an unused portion of a limit, or its payment shall be deferred for a period of up to 6 months after the expiry of the grace period.

5.4. Items 5.1, 5.2 and 5.3 shall be applicable separately to the loan products specified therein.

## **6. Mechanism Selection**

6.1. The liability deferral mechanism shall be selected by mutual consent between the parties.

## **IV. ADDITIONAL PROVISIONS**

7. This Procedure for Deferral and Settlement of Liabilities was adopted by the Executive Board of the Association of Banks in Bulgaria (ABB). Every bank that wished to apply it shall state this explicitly in a letter to ABB signed by the persons managing and representing the bank, and the list of banks that sent such statements to ABB shall be provided by ABB to the Bulgarian National Bank, together with the Procedure adopted by the ABB Executive Board.

8. The procedure for deferral and settlement of liabilities and any possible necessary amendments thereto, including changes to the time limits under item 2.5, shall be applicable after they are specifically approved by the Bulgarian National Bank.

9. The procedure laid down in the foregoing items shall also apply accordingly to financial institutions that are subsidiaries of banks.

10. Outside the scope of this procedure, creditors may agree with their customers individual deferral schemes other than the ones provided under the foregoing items, as well as other concessions.