Bulgarian National Bank Act

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*Note: An update of the English text of this Act is being prepared following the amendments in SG No. 59/29.07.2016

Text in Bulgarian: Закон за Българската народна банка

Chapter One
GENERAL PROVISIONS

Article 1

(1) The Bulgarian National Bank is the central bank of the Republic of Bulgaria. The Bank shall be a legal person.

(2) The Bulgarian National Bank shall account for the activities thereof to the National Assembly.

Article 2

(Amended, SG No. 10/2005)

(1) The Bulgarian National Bank shall have as its principal objective to maintain price stability by ensuring the stability of the national currency and implementing monetary policy in accordance with the requirements of this Act.

(2) The Bulgarian National Bank shall act in conformity with the principle of open market economy under free competition, promoting the efficient allocation of resources. Upon the accession of the Republic of Bulgaria to the European Union and without prejudice to the principal objective to maintain price stability, the Bulgarian National Bank shall support the common economic policies in the European Community in order to contribute to the implementation of the purposes of the said Community, as set out in Article 2 of the Treaty Establishing the European Community.

(3) Without prejudice to the objectives referred to in Paragraphs (1) and (2), the Bulgarian National Bank shall promote a policy of sustainable and non-inflationary growth.

(4) The Bulgarian National Bank shall facilitate the establishment and functioning of efficient payment mechanisms and shall exercise supervision of the said systems.

(5) The Bulgarian National Bank shall enjoy the exclusive right to issue banknotes and coins in Bulgaria.

(6) The Bulgarian National Bank shall regulate and exercise supervision of the activities of the other banks in Bulgaria with a view to maintaining the stability of the banking system and protecting the interests of depositors.

(7) (New, SG No. 101/2010, effective 30.06.2011) The Bulgarian National Bank shall regulate and exercise supervision over the activities of the operators of payment systems, of the payment institutions, and of the electronic money institutions in Bulgaria.

Article 3

(Amended, SG No. 10/2005)

In the formulation of the general guidelines of the monetary policy, the Bulgarian National Bank and the Council of Ministers shall inform each other.

Article 4

(1) In connection with the performance of the functions thereof, the Bulgarian National Bank may require from banks to submit any documents and information, as well as may conduct the requisite examinations.

(2) (Supplemented, SG No. 45/2002) The Bulgarian National Bank may not disclose or pass to third parties any information obtained, which constitutes a bank or commercial secret for the banks and the other participants in the monetary turnover and in credit relations, except in the cases provided for in the Classified Information Protection Act.

Article 5

The Bulgarian National Bank may participate organisationally and financially in international organisations which have as an object the pursuit of international co-operation in the sphere of exchange-control, monetary and credit policy, as well as to take part on its own behalf in the activity of such organisations, when this is in the interest of the Republic of Bulgaria.

Article 6

(1) The head office of the Bulgarian National Bank shall be in the city of Sofia. The Bank may have branches in Bulgaria and representative offices in Bulgaria and abroad.

(2) The Bulgarian National Bank shall have a seal bearing its designation and depicting the coat-of-arms of the Republic of Bulgaria.

Chapter Two
CORE CAPITAL AND RESERVES

Article 7

The core capital of the Bulgarian National Bank shall be BGN 20 million.

Article 8

(1) To cover bad and doubtful receivables, the Bulgarian National Bank shall allocate provisions to an amount fixed by the Managing Board, which shall be an item of the accounting expenses and an adjustment of the balance sheet assets.

(2) The Reserve Fund shall be formed through deductions to 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 to cover the Bank's losses.

(3) Upon deduction of the amount for the Reserve Fund, the necessary amounts for the special-purpose funds, established by decision of the Managing Board, shall be said aside from the annual excess of the Bank's revenue over expenditure.

(4) The remainder of the annual excess of the Bank's revenue over expenditure shall be credited in revenue to the State budget annually within four months after the end of the financial year.

Article 9

(1) (Amended, SG No. 10/2005) Where the balance sheet of the Bulgarian National Bank shows that the amount of its assets has fallen below the amount of its liabilities and the core capital, the Minister of Finance shall replenish the core capital of the Bank up to the amount required to cover the deficit.

(2) The procedure under Paragraph (1) for covering the deficit shall be applied only in cases when the resources of the Reserve Fund and the Bank's special reserve account under Article 36 (1) have been depleted.

Chapter Three
STRUCTURE AND MANAGEMENT

Article 10

The Bulgarian National Bank shall be managed by a Managing Board, a Governor and the three Deputy Governors; elected to head the basic departments referred to in Article 19.

Article 11

(1) The Managing Board shall consist of seven members: the Governor of the Bank, the three Deputy Governors, and three other members.

(2) Only Bulgarian citizens may be members of the Managing Board.

(3) (Amended, SG No. 10/2005) Persons of the highest integrity, who are prominent professionals in the areas of economics, finance and banking, shall be eligible and appointable as members of the Managing Board.

(4) (New, SG No. 10/2005) A member of the Managing Board may not be a person:

1. who has been sentenced to deprivation of liberty for a premeditated offence;

2. who has been adjudicated bankrupt in the capacity of a sole trader or a general partner in a commercial corporation;

3. who, over the two years last preceding the date of a judgement adjudicating bankrupt a commercial corporation or a cooperative, has been a member of a management or supervisory body thereof;

4. (new, SG No. 42/2009) who is a sole trader, general partner in a commercial corporation, manager, attorney-in-fact, commercial representative, procurator, commercial broker, liquidator or assignee in bankruptcy, member of a management or supervisory body of a commercial corporation or cooperative, with the exception of corporations wherein the Bulgarian National Bank has a participating interest;

5. (new, SG No. 42/2009) who is the spouse or de facto cohabitee, or a lineal relative, collateral relative up to and including the fourth degree, or a relative-in-law up to and including the second degree, to another member of the Managing Board.

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 heading the basic departments under Article 19 on a motion by the Governor.

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

(4) (Amended, SG No. 10/2005) The term of office of the members of the Managing Board shall be six years. Election or appointment, as the case may be, of a new member shall take place not earlier than three months and not later than two months before expiry of the term of office of the incumbent member. If no election or appointment, as the case may be, has taken place before expiry of the term of office, the member of the Managing Board whose term of office has expired shall continue to exercise the powers thereof until a new election or appointment, as the case may be, takes place.

(5) (Supplemented, SG No. 54/1999, amended, SG No. 10/2005) The Governor and the Deputy Governors may not engage in any other activity except teaching or membership of the bodies of the companies in which the Bulgarian National Bank holds a participating interest, or of international organizations in connection with the activity of the Bank. They may engage in non remunerative activity by unanimous decision of the Managing Board, to the extent there is no conflict of interest.

(6) (Amended, SG No. 10/2005) The other three members of the Managing Board may not engage in any other remunerative activity at the Bulgarian National Bank, or work for any banks, insurance companies, other financial institutions or in the executive, as well as engage in any other activity which could give rise to a conflict of interest.

(7) (Amended, SG No. 10/2005) Upon resignation of any member of the Managing Board, the powers of said member shall be terminated after the lapse of three months from the tendering of the said resignation if no new member of the Managing Board has been elected or appointed within the said period.

(8) (New, SG No. 10/2005) Relations between the Bulgarian National Bank and the Governor and Deputy Governors shall be regulated by management contracts, which shall be entered into according to a procedure established by the Managing Board.

(9) (New, SG No. 42/2009, amended, SG No. 97/2010, effective 10.12.1010) The Governor, the Deputy Governors and the other members of the Managing Board shall submit the declarations referred to in Article 12, Items 1, 2 and 3 of the Conflict of Interest Prevention and Ascertainment Act to the authority electing or appointing them. The declaration referred to in Article 12, Item 4 of the Conflict of Interest Prevention and Ascertainment Act shall be submitted to the Managing Board in accordance with the procedure provided for in Article 17 (4).

Article 13

(1) (Amended, SG No. 10/2005, SG No. 59/2006) Upon taking office, the Governor, the Deputy Governors and the other three members of the Managing Board shall be sworn in to abide by the laws, to contribute to the performance of the functions entrusted to the Bank, as well as to safeguard official, bank, commercial and other legally protected secret, even after termination of their powers.

(2) The Governor and the Deputy Governors shall take an oath before the National Assembly, and the other three members of the Managing Board shall take an oath before the President.

Article 14

(Amended, SG No. 10/2005)

(1) The competent body under Article 12 may terminate the powers of a member of the Managing Board before expiry of the term of office thereof if the said member does not satisfy the requirements under Article 11 (4) for fulfillment of official duties, if the said member is practically unable to perform the duties thereof for more than six months or if the said member has been found guilty of a serious breach of the official duties thereof.

(2) (Repealed, SG No. 48/2015, effective 27.06.2015).

(3) Upon the accession of the Republic of Bulgaria to the European Union, a decision on early termination of the powers of the Governor of the Bulgarian National Bank may be referred to for consideration to the Court of Justice of the European Communities by the affected Governor or by the Governing Council of the European Central Bank.

Article 15

(1) The Managing Board shall meet at least once a month. The Board shall be convened by the Governor of the Bank or at the request of not fewer than three of the members thereof by written notice.

(2) The meetings of the Managing Board shall be presided over by the Governor of the Bank or; should the Governor be absent, by a Deputy Governor designated thereby.

Article 16

The Managing Board shall:

1. consider and adopt basic guidelines for its activity;

2. adopt statutory instruments concerning the Bank's activity;

3. (amended, SG No. 59/2006) determine the interest, fees and commissions in relation to the bank's activity;

4. fix the percentage of the minimum reserves which the banks are required to hold, and endorse the conditions and requirements for compliance therewith;

5. set by ordinances the rules and requirements for regulation of banking activities;

6. adopt Rules of Procedure for the activities thereof;

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. make decisions on issuing new banknotes and coins, and set the time limits after which the said banknotes and coins cease to be legal tender and within which demonetized banknotes and coins have to be exchanged;

10. regularly consider reports on the activities of the Bank's basic departments;

11. establish the procedure and competencies for the charge-off of bad receivables of the Bulgarian National Bank as a loss;

12. adopt decisions on participation of the Bulgarian National Bank in international organisations and in initiatives and activities undertaken by such organisations;

13. approve the annual budget, the annual balance sheet and the report under Article 51 as presented by the Governor;

14. (new, SG No. 10/2005) be responsible for the establishment and maintenance of an efficient internal control system at the Bulgarian National Bank and its subsidiaries, in conformity with the inherent operating risks of the Bank;

15. (renumbered from Item 14, SG No. 10/2005, amended, SG No. 59/2006, amended, SG No. 101/2010, effective 30.06.2011) grant, refuse to grant and withdraw authorisations of banks, of operators of payment systems, of payment institutions and of electronic money institutions under terms and according to a procedure established by a law;.

16. (new, SG No. 59/2006, amended, SG No. 101/2010, effective 30.06.2011) put banks under special supervision under the terms of the Credit Institutions Act;

17. (new, SG No. 62/2015, effective 14.08.2015) take decisions as a resolution authority in the cases provided for in the Recovery and Resolution of Credit Institutions and Investment Firms Act;

18. (new, SG No. 62/2015, effective 14.08.2015) take decisions under Article 20, paragraph 1, item 2 of the Bank Deposit Guarantee Act that bank deposits are unavailable;

19. (new, SG No. 101/2010, effective 30.06.2011, renumbered from Item 17, SG No. 62/2015, effective 14.08.2015) consider and resolve other issues concerning the activities of the bank.

Article 17

(1) The Managing Board may meet if more than one half of the members thereof is present.

(2) Decisions of the Managing Board shall be adopted by a majority of the members present but shall require the affirmative vote of not fewer than four votes.

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

(4) The members of the Managing Board shall not participate in the deliberation and shall abstain from voting on decisions on any issues in which they or members of the families thereof may have interest. They must notify the Managing Board in advance of the existence of any such interests.

Article 18

(1) The Governor of the Bulgarian National Bank shall organise, direct and control the activities of the Bank with the exception of such activities as are placed in the exclusive competence of the Deputy Governors by this Act or another law, and shall represent the Bank at home and abroad. The said Governor may delegate the exercise of some of the powers thereof to other officials.

(2) The Governor may establish consultative councils, which shall assist the performance of the functions thereof.

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 decision of the Managing Board.

(3) Within the competencies vested therein by law or by a statutory instrument adopted by the Managing Board, the Deputy Governors shall organise, direct and be responsible for the activities of the departments headed thereby.

(4) On a motion by a Deputy Governor, the Managing Board shall designate a Deputy Governor to exercise the powers thereof in the absence thereof.

Article 20

(1) (Amended, SG No. 10/2005) The principal function of the Issue Department shall be to maintain full foreign-exchange cover for 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 foreign-exchange reserves.

(2) In case any systemic risk to the stability of the banking system arises, the Banking Department shall perform the functions of a lender of last resort under terms established in this Act and in statutory instruments adopted by the Managing Board.

(3) (Amended, SG No. 59/2006) Supervision of the banking system shall be exercised by the Deputy Governor heading the Banking Supervision Department, according to a procedure established by a law and statutory instruments issued for the application thereof. In exercising the supervisory powers thereof, the said Deputy Governor shall apply, separately and at his or her own discretion, the remedial actions and penalties as provided for by a law.

(4) (New, SG No. 101/2010, effective 30.06.2011) Supervision over operators of payment systems, over payment institutions and electronic money institutions shall be exercised by the Deputy Governor heading the Banking Department according to a procedure established in a law and in the statutory instruments on the application thereof. In exercising the

supervisory powers thereof, the said Deputy Governor shall apply, separately and at his or her own discretion, the remedial actions and penalties as provided for by a law.

Article 21

The Managing Board shall define by Rules of Procedure the structure, specific functions and responsibilities of the departments and offices at the Bank, as well as the procedure for implementation of the relationships between the said departments and office and the competence of the managing officials.

Article 22

(Amended, SG No. 10/2005, SG No. 51/2016) (1) The internal audit of the Bulgarian National Bank shall be carried out by an internal audit unit headed by a chief auditor.

(2) The internal audit of the Bulgarian National Bank shall be carried out in accordance 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 to the European System of Central Banks, and the Rules of Procedure adopted by the Managing Board of the Bulgarian National Bank.

(3) The Managing Board shall adopt the objectives, powers, responsibilities, plan and report on the internal audit of the Bulgarian National Bank.

(4) (Effective 1.04.2017, SG No. 51/2016) The Chief Auditor and auditors in the internal audit unit shall meet the following requirements:

1. to be legally capable persons;

2. not have been convicted of a deliberate crime of general nature and should not have been divested by courts of the right to hold the relevant office;

3. to have completed higher education and acquired educational qualification degree "master";

4. to hold a certificate for "internal auditor in the public sector", issued by the Minister of Finance and/or an internationally recognized certificate in the field of auditing and accounting.

Article 23

(1) (Repealed, SG No. 10/2005, new, SG No. 59/2006) Official secret shall be the information relating to the preparation for production of Bulgarian banknotes and coins; the technical parameters of the sensors for reading of security elements of Bulgarian banknotes and coins; the systems for physical security and the information security of the bank and its subsidiaries; the information on the transportation and security of valuable parcels and other facts and circumstances the unauthorized access to which would affect adversely the interests of the State or any other legally protected interest as determined by the Governor of the Bulgarian National Bank in accordance with Article 26 (3) of the Classified Information Protection Act.

(2) (Amended, SG No. 45/2002, SG No. 10/2005, SG No. 59/2006) The employees of the Bulgarian National Bank shall be obligated to respect the confidentiality of any negotiations, transactions contracted, the amount of clients' deposits and clients' operations, the information received by the Bank, as well as any circumstances concerning the activities of the Bank and of the clients thereof which constitute an official, bank, commercial and other legally protected secret, even after termination of the employment relationship thereof.

(3) The labour remuneration of the Bank's employees shall be fixed by the Managing Board but it may not be less than the average remuneration drawn by employees with similar functions in other banks in Bulgaria.

Chapter Four
MONETARY UNIT, BANKNOTES AND COINS

Article 24

The monetary unit of the Republic of Bulgaria shall be the lev (BGN), divided into 100 stotinki.

Article 25

(1) The Bulgarian National Bank shall have the exclusive right to put banknotes and coins into circulation.

(2) The banknotes and coins issued by the Bank shall be legal tender and shall be mandatorily accepted as payment of debts at their full denomination value without limitations of amount.

(3) The Bulgarian National Bank shall ensure the printing of banknotes and the minting of coins, as well as the safe custody and destruction of banknotes and coins, which have been withdrawn from circulation.

(4) The Managing Board shall determine the denomination value, the composition of material and the design of the banknotes and coins put into circulation by the Bank.

(5) Before putting a new banknote or coin into circulation, the Bank shall publish its exact description in the State Gazette and in other mass communication media.

(6) (New, SG No. 10/2005) Upon the sale of banknotes and coins, the Managing Board may fix a price other than the denomination value.

Article 26

After informing the public through the State Gazette and through the mass communication media, the Bulgarian National Bank may withdraw from circulation banknotes and coins issued thereby which shall be redeemable at the denomination value thereof. Upon expiry of the time limit set by the Bank, such banknotes and coins shall be treated as demonetized and shall cease to be legal tender.

Article 27

(Amended, SG No. 10/2005)

(1) (Amended, SG No. 59/2006) The terms and the procedure for the Bulgarian National Bank and the banks shall replace and exchange of Bulgarian banknotes and coins at partial or full denomination value shall be established by the Bulgarian National Bank.

(2) (Amended, SG No. 59/2006) The Bulgarian National Bank, the banks, the financial houses, exchange bureaus and providers of services shall be obligated to retain for inspection, against issue of a written document, any Bulgarian and foreign banknotes and coins which have reached them in any way whatsoever, which arouse suspicion of being counterfeit or forged. The Bulgarian National Bank shall be the competent institution to conduct such inspection and make an expert evaluation.

(3) (Amended, SG No. 59/2006) Within three business days, the persons under paragraph 2 as well as the competent government authorities shall be obligated to submit to the Bulgarian National Bank for expert evaluation any Bulgarian and foreign banknotes and coins retained thereby which arouse suspicion of being counterfeit or forged.

(4) Where the expert evaluation under Paragraph (2) establishes that any such banknotes and coins are counterfeit or forged, they shall be retained by the Bulgarian National Bank and shall not be replaced or returned.

(5) (New, SG No. 59/2006) Banks and providers of services shall separate any Bulgarian banknotes and coins which are not fit for use in the current banknote and coin circulation. They shall not provide to customers such banknotes and coins.

(6) (New, SG No. 59/2006) Banks and providers of services shall submit to the BNB banknotes and coins which are

not fit for use in the current banknote and coin circulation.

(7) (New, SG No. 59/2006) Reproduction of Bulgarian banknotes and coins shall be carried on upon a written consent by the BNB.

(8) (Previous Paragraph 5, SG No. 59/2006) The Bulgarian National Bank shall issue an ordinance on the application of this Article.

Chapter Five
MONETARY FUNCTIONS AND OPERATION OF THE BANK

Article 28

(1) (Effective 1.07.1997) The aggregate amount of monetary liabilities of the Bulgarian National Bank shall not exceed the lev equivalent of the international foreign exchange reserves, and the lev equivalent shall be determined on the basis of the official exchange rate of the lev against the Deutschemark according 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 as 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 foreign-exchange 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 recognised 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 States, central banks, other foreign financial institutions or international financial organisations, whose obligations are assigned one of the two highest ratings by two internationally recognised 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 and supplemented, SG No. 10/2005) 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 liabilities have been assigned one of the two highest ratings of two internationally recognized credit rating agencies, as well as futures and options of the Bulgarian National Bank with non-residents as obligors and payable in a freely convertible foreign currency;

6. (amended, SG No. 10/2005) the stock of monetary gold held.

Article 29

(1) (Amended, SG No. 20/1999, effective 5.07.1999) The official exchange rate of the lev against 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 against the Euro shall be determined by multiplying the exchange rate referred to in Paragraph (1) by the official rate whereat the Deutschemark is converted into the Euro. The exchange rate arrived at in this way shall be published by the

Bulgarian National Bank in the State Gazette.

Article 30

(Effective 1.07.1997, amended, SG No. 10/2005)

On demand, the Bulgarian National Bank shall be bound to sell and purchase Euro against leva up to any amount within the territory of Bulgaria 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

(Effective 1.07.1997)

(1) (Amended, SG No. 10/2005) The Bulgarian National Bank may take any action necessary in connection with the acquisition, possession and sale of gross international foreign exchange reserves under Article 28 (3).

(2) (Amended, SG No. 10/2005) The Bulgarian National Bank shall invest its gross international foreign-exchange reserves in accordance with the principles and practices of prudent investment, with investments in securities limited to liquid debt instruments satisfying the requirements of Item 4 of Article 28 (3).

(3) (Amended, SG No. 10/2005) The lev equivalent of the gross international foreign-exchange reserves, except those under Items 3 and 6 of Article 28 (3), denominated in currencies other than Euro, may not be higher, respectively lower, by more than 2 per cent of the lev equivalent of all monetary liabilities of the Bulgarian National Bank denominated in the said currencies.

(4) The total amount of the liabilities on loans drawn by the Bulgarian National Bank, which are denominated and payable in a foreign currency, shall not be increased if this increase would result in an amount exceeding 10 per cent of the assets of the Bulgarian National Bank at the date of the last balance sheet.

(5) The restriction under Paragraph (4) shall not apply to any variation of 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. collateralized lending operations;

2. transactions in precious metals;

3. transactions in foreign currencies;

4. transactions in deposit and financial investment s;

5. operations related to the turnover of payments;

6. commission transactions;

7. cross-border bank transactions.

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 affecting the stability of the banking system, the Bulgarian National Bank may extend to a solvent bank lev-denominated credits maturing within three months, provided that the said credits are fully

collateralised by pledge of gold, a foreign currency or other such highly 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 established by a Bulgarian National Bank ordinance.

(3) Credits under Paragraph (2) may be extended solely up to the amount of the excess of the lev equivalent of the gross international foreign-exchange 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 collateralised credit, the Bulgarian National Bank shall have the right to sell the collateral as received without litigation. All claims of the Bank in respect of the credit principal, interest and costs shall be satisfied from the proceeds of any such case, and any balance shall be credited to the current account of the borrower.

Article 35

The Bulgarian National Bank shall announce the base interest rate for the relevant period according to a method determined by the Managing Board, and shall publish the said rate in the State Gazette.

Article 36

(1) Any unrealised profits of the Bank, arising from variations in the valuation of the Bank's assets or liabilities in gold or in gold terms or in foreign-exchange terms as a result of a fluctuation of the price or of the rates of exchange of gold or the foreign currency against the lev, shall be credited to a special account. Apart from the cases under Paragraph (2), the amounts on this account may also be used to cover other losses incurred by the Bank.

(2) (Amended, SG No. 10/2005) Any llosses arising from any variations referred to in Paragraph (1) shall be offset by funds of the special reserve account and 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 transactions 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 Bulgaria;

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

Article 38

The Bulgarian National Bank shall accept for safekeeping precious metals, securities and other valuables under conditions defined by the Managing Board. The Bank shall have the right to unilaterally discontinue its obligations as 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) (Supplemented, SG No. 49/1998, SG No. 39/2005, SG No. 108/2006) The Bulgarian National Bank shall accept from banks, from the Council of Ministers, from ministries and other central-government departments, from the Bank Deposit Insurance Fund-Bulgaria, the Compensation Fund for Investors in Securities, from international financial institutions, from European Union institutions and authorities, as well as from municipalities, money on current accounts or time deposits under conditions announced by the Managing Board.

(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, SG No. 10/2005, SG No. 52/2007) Under conditions established thereby, the Bulgarian National Bank may open accounts of primary dealers of government securities, sub-depositories of government securities and other persons determined by the minister of finance and the governor of the Bulgarian National Bank under the terms of the ordinance under Article 36, Paragraph 1 of the Government Debt Act.

Article 40

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

(2) The Bank shall have the right to effect collection transactions in a commissioner capacity.

Chapter Six
RELATIONSHIPS WITH BANKS

Article 41

(1) The Bulgarian National Bank shall:

1. determine by an ordinance the mandatory minimum reserve assets which banks shall be required to keep therewith, the method of calculation of the said assets, as well as the terms and procedure for interest payments thereon;

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

(2) Any bank, which fails to keep the mandatory minimum reserve assets as determined, 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, SG No. 59/2006)

The Bulgarian National Bank shall comile the balance of payments and shall maintain the monetary and interest statistics as well as the statistics of the financial accounts of the country. To this end, all government and municipal authorities and legal and natural persons shall submit to the BNB information in accordance with the procedure prescribed by it.

Chapter Seven
RELATIONS BETWEEN THE BULGARIAN NATIONAL BANK AND THE STATE

Article 43

(Amended, SG No. 10/2005)

(1) The Bulgarian National Bank shall act as a fiscal agent and depository of the State pursuant to contracts concluded and under market conditions and at market prices of services.

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

1. shall execute bank servicing of accounts and payments included in the single account system, in the name and for the

account of the Ministry of Finance;

2. shall collect and submit to the Ministry of Finance regular information about the accounts of public-financed enterprises with banks in Bulgaria;

3. shall act as a government debts agent and a government guaranteed debts agent;

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

(3) In its capacity as a government debts agent, the Bulgarian National Bank shall keep government securities accounts, which shall be registered according to debt transferees.

(4) The Bulgarian National Bank may act as an authorized representative of the Council of Ministers for purposes and under conditions established thereby and by the Council of Ministers.

Article 44

(Amended, SG No. 10/2005)

In exercising its powers and in performing the obligations thereof under this Act, the Bulgarian National Bank, the Governor and the members of the Managing Board shall be independent and may not seek or accept instructions from the Council of Ministers or from other bodies and institutions. The Council of Ministers and the other bodies and institutions may not give instructions to the Bulgarian National Bank, the Governor or the members of the Managing Board.

Article 45

(Amended, SG No. 10/2005)

(1) The Bulgarian National Bank may not extend credits and guarantees in any form whatsoever, including through acquisition of debt instruments, to the Council of Ministers, to any municipalities, as well as to other state and municipal institutions, organizations and enterprises.

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

(3) The Bulgarian National Bank may extend credits to the State for the account of purchases of Special Drawing Rights from the International Monetary Fund, extended by the Managing Board under the following conditions:

1. the decision of the Managing Board shall be made not later than seven days after the date of the relevant purchase of the Special Drawing Rights from the International Monetary Fund;

2. the time limit for utilisation of the loan by the State shall be 90 days after the date of the relevant purchase of Special Drawing Rights from the International Monetary Fund;

3. principal repayments and interest payments shall be effected not later than the dates whereon the Bulgarian National Bank shall effect the relevant payments to the International Monetary Fund and up to the amounts required for the said payments.

(4) Upon expiry of the time limit under Item 2 of Paragraph (3), the right of the State to any unutilised portion of the credit approved shall be extinguished.

Chapter Eight
ACCOUNTS AND BALANCE SHEET

Article 46

The Bulgarian National Bank shall keep accounts under the Accountancy Act and in accordance with the accepted international accounting standards.

Article 47

The financial year of the Bulgarian National Bank shall commence on the 1st day of January and shall end on the 31st day of December.

Article 48

(1) (Amended, SG No. 10/2005) The expenditure of the Bulgarian National Bank shall be incurred conforming to the annual budget adopted by the Managing Board and promulgated in the State Gazette.

(2) The administrative expenses shall be incurred in accordance with a decision of the Governor or of a Deputy Governor authorised thereby.

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

(4) (New, SG No. 37/2006) Control over the implementation of the Public Procurement Act shall be exercised by the National Audit Office. The bodies of the Public Financial Inspection Agency shall not perform inspections of the Bulgarian National Bank.

Article 49

(Effective 1.07.1997)

(1) The Bulgarian National Bank shall:

1. publish every week the balance sheet of the Issue Department, which shall show the position of the basic assets and liabilities of the said Department, inclusive of the gross international foreign-exchange reserves referred to in Article 28 (3) and the total amount of the Bank's monetary liabilities referred to in Article 28 (2);

2. publish in the State Gazette the position of the basic assets and liabilities of the Bank at the end of each month, also presenting separate balance sheets of the Issue Department and the Banking Department, 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 Department and the Banking Department, shall be determined by an ordinance issued by the Bank and shall comply with the requirements of the internationally accepted accounting standards.

(3) (Amended, SG No. 10/2005) The consolidated financial statement of the Bulgarian National Bank shall be certified by an international auditor and shall be published together with the auditor's report in accordance with the requirements of the internationally accepted accounting standards.

(4) (Amended, SG No. 37/2006) The international auditor shall be elected by the Managing Board for a term of three years on the basis of a procedure, conducted under the procedure of the Public Procurement Act.

Article 50

(Supplemented, SG No. 10/2005)

The Bulgarian National Bank shall submit to the National Assembly the budget adopted by the Managing Board within 30 days after its adoption, as well as a semi-annual report reviewing and assessing the Bank's activities during the preceding period. Any such report shall be published

Article 51

(Amended, SG No. 10/2005)

The Bulgarian National Bank shall submit to the National Assembly an annual report on the Bank's activity, the consolidated financial statement thereof together with the auditor's report under Article 49 (3), and the budget report thereof not later than the 30th day of April of the next succeeding year.

Chapter Nine
MISCELLANEOUS PROVISIONS

Article 52

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

Article 53

(1) The Bulgarian National Bank may set off its debts against its receivables, which are not yet 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 anticipatory collection of the receivables thereof.

(2) (Amended, SG No. 59/2007) The Bulgarian National Bank shall have the option to move for the issuance of an immediate enforcement order according to the procedure established by Article 418 of the Code of Civil Procedure on the basis of an abstract of the books of accounts of the said Bank, whereby the defaulted receivables thereof, including any interest due, are ascertained.

Article 54

(1) The Bulgarian National Bank may not acquire any corporeal immovables and rights in rem, except for:

1. securing premises for the performance of its activity and bank owned housing for its employees;

2. protecting itself against losses arising from lending transactions.

(2) The Bank shall be obligated to dispose of the ownership of any corporeal immovables referred to in Item 2 of Paragraph (1) within three years after acquisition.

Article 55

(1) The Bulgarian National Bank shall have the right to own the things possessed and acquired thereby, which shall be separate from the state property.

(2) Acquisition of immovable and movable things and disposition thereof shall be effected by the Governor of the Bulgarian National Bank or by an official authorised thereby according to a procedure established by the Managing Board in conformity with the procedure established by the State Property Act.

Article 56

Except in the cases provided for by this Act, 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 leva;

3. maintain any deposits whatsoever with residents.

Article 57

The Bulgarian National Bank may incorporate or hold participating interest in any companies in connection with the activities performed by the Bank. The Bank may not participate in any companies as a general partner.

Article 58

Specialised bank archives operating with a permanent composition of documents shall be established at the Bulgarian National Bank. The procedure for attendance of the users of the said archives shall be established by the Managing Board of the Bank.

Article 59

(1) (Redesignated from Article 56, supplemented, SG No. 153/1998, amended, SG No. 109/2001, SG No. 108/2006) The Bulgarian National Bank shall be exempt from paying taxes and fees to central government, with the exception of Value Added Tax, excise and customs duties.

Article 60

The Bulgarian National Bank shall adopt ordinances on the application of this Act.

Chapter Ten
ADMINISTRATIVE PENALTY LIABILITY

Article 61

(Amended, SG No. 10/2005)

(1) (Previous Article 61, SG No. 24/2009, effective 31.03.2009) Any person, who violates or suffers another to violate this Act and the statutory instruments issued for the application thereof, unless the act constitutes a criminal offence, shall be liable to a fine of BGN 500 or exceeding this amount but not exceeding BGN 3,000. If the offender is a sole trader or legal person, a pecuniary penalty of BGN 5,000 or exceeding this amount but not exceeding BGN 30,000 shall be imposed thereon.

(2) (New, SG No. 24/2009, effective 31.03.2009) In the case of a repeated violation under paragraph 1, the amount of the fine or pecuniary penalty shall be doubled.

(3) (New, SG No. 24/2009, effective 31.03.2009, supplemented, SG No. 44/2009, effective 12.06.2009) The fines and pecuniary penalties referred to in Paragraphs 1 and 2 shall be also imposed in respect of violations of Council Regulation (EC) No. 2182/2004 of 6 December 2004 concerning medals and tokens similar to euro coins, amended by Council Regulation (EC) No. 46/2009 of 18 December 2008 (OJ, L 17/5 of 22 January 2009); and Council Regulation (EC) No. 2183/2004 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 Council Regulation (EC) No. 47/2009 of 18 December 2008 (OJ, L 17/7 of 22 January 2009).

Article 62

(1) A written statement ascertaining any violation referred to in Article 61 shall be drawn up by a person authorised 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 authorised by him.

(2) The ascertainment of a violation, the issue, appeal against and execution of a penalty decree shall follow the procedure established by the Administrative Violations and Sanctions Act.

SUPPLEMENTARY PROVISIONS
(Title amended, SG No. 59/2006)

§ 1. "Spot exchange rate" means the price set for transactions in a foreign currency for immediate transmission by bank transfer within the period fixed by law or by the rules of banking practices.

§ 1a. (New, SG No. 59/2006) "Provider of services" shall be a person carrying on in the nature of trade thereof activities and operations with banknotes and coins, including categorisation, storage, transportation and/or circulation thereof.

§ 1b. (New, SG No. 51/2016) "Internationally recognized certificate in the field of auditing and accounting" are the certificates "Certified Internal Auditor-CIA", "Certified Financial Services Auditor – CFSA", issued by the Institute of Internal Auditors – the international professional organisation 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 Analyst Institute; "Certified Fraud Examiner", issued by the Association of Certified Fraud Examiners.

TRANSITIONAL AND FINAL PROVISIONS

§ 2. This Act shall supersede the Bulgarian National Bank Act (promulgated in the State Gazette No. 50/1991, amended in No. 32/1996).

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

§ 4. Until constitution of managing bodies of the Bulgarian National Bank according to the provisions of this Act, the functions of the said bodies shall be performed by the Managing Board incumbent upon the entry of this Act into force.

§ 5. The members of the first Managing Board, constituted according to this Act, 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 thereof.

§ 6. The ordinances issued by the Bulgarian National Bank for the application of the Bulgarian National Bank Act as hereby superseded shall remain in effect insofar as they do not conflict with this Act.

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

§ 8. The total amount of monetary liabilities of the Bulgarian National Bank referred to in Item 2 of Article 28 (2) shall not include any obligations assumed thereby before the 31st day of 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 Act 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 according to contracts concluded between the Governor of the Bank and the Minister of Finance.

§ 11. The State Budget Procedure Act (SG No. 67 of 1996) shall be amended and supplemented as follows:

1. a new Paragraph (5) shall be added in Article 3:

"(5) The Bulgarian National Bank may extend credits to the state budget under terms and according to a procedure established by the Bulgarian National Bank Act."

2. Article 32 is repealed.

§ 12. This Act shall enter into force on the day of its promulgation in the State Gazette, with the exception of the provisions of Articles 28, 29, 30, 31 and 49, which shall enter into force on the 1st day of July 1997.

§ 13. The implementation of this Act shall be entrusted to the Managing Board of the Bulgarian National Bank.

TRANSITIONAL AND FINAL PROVISIONS

to the Bank Deposit Guarantee Act

(Promulgated, State Gazette No. 49/1998)

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§ 4. (1) Upon placement under special supervision or upon submission of a petition in bankruptcy in respect of any bank, the Managing Board of the Bulgarian National Bank shall impose injunctions and distraint, according to the procedure established by the law, on the property of the members of the Supervisory Board and Management Board or of the Board of Directors, as the case may be, as well as of the managerial agents (of the bank affected).

(2) After the entry into effect the judgment of the court on adjudication of the bank in bankruptcy, the injunctions imposed under Paragraph (1) shall be considered imposed by the trustee in bankruptcy and may not be lifted or modified by the Managing Board of the Bulgarian National Bank.

(3) The powers holding powers to manage and represent the bank or the trustee in bankruptcy, as the case may be, shall bring actions against the persons referred to in Paragraph (1).

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TRANSITIONAL AND FINAL PROVISIONS

to the Lev Re-denomination Act

(Promulgated, State Gazette No. 20/1999,

supplemented, SG No. 65/1999, effective 5.07.1999)

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§ 4. (1) (Supplemented, SG No. 65/1999) Upon the entry of this Act into force, all figures expressed in old lev terms as indicated in the laws which will have entered into force prior to the 5th day of July 1999 shall be replaced by figures expressed in new lev terms, reduced by a factor of 1,000. The replacement of all figures expressed in old lev terms, reduced by a factor of 1,000, shall furthermore apply to all laws passed prior to the 5th day of July 1999 which have entered or will enter into force after the 5th day of July 1999.

(2) The authorities, which have adopted or issued any acts of subordinate legislation which will have entered into force prior to the 5th day of July 1999 and which contain figures expressed in lev terms, shall amend the said acts to bring them in conformity with this Act so that the amendments apply as from the date of entry of this Act into force.

§ 5. (1) Any commercial corporations whereof the legal existence commenced prior to the entry of this Act into force shall be obligated to apply for entry in the Commercial Register of the alterations of capital ensuing from this Act within one year after the entry of this Act into force.

(2) No stamp duties for entry under Paragraph (1) and no fees for publication in the State Gazette shall be due.

§ 6. The Bulgarian National Bank shall adopt an ordinance on the application of Article 4 of this Act.

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FINAL PROVISION

to the Act to Amend and Supplement the Bulgarian National Bank Act

(Promulgated, State Gazette No. 10/2005)

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§ 27. (1) The provisions of Article 45 (3) and (4) [of the Bulgarian National Bank Act] shall apply until the date of entry into force of the Treaty concerning the Accession of the Republic of Bulgaria to the European Union.

(2) In respect of any liabilities on credits extended before the date referred to in Paragraph (1) by the Bulgarian National Bank for the account of purchases of Special Drawing Rights from the International Monetary Fund, principal repayments and interest payments shall be effected by the State within time limits not later than the dates on which the respective payments by the Bulgarian National Bank to the International Monetary Fund shall be effected and up to the amounts required for the said payments.

FINAL PROVISIONS

to the Amendment and Supplement Act to the Public Sector Internal Audit Act

(SG No. 51/2016)

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§ 35. The Bulgarian National Bank Act (promulgated, SG No. 46/1997; amended, SG No. 49 and 153/1998, SG No. 20 and 54/1999, SG No. 109/2001, SG No. 45/2002, SG No. 10 and 39/2005, SG No. 37, 59 and 108/2006, SG No. 52 and 59/2007, SG No. 24, 42 and 44/2009, SG No. 97 and 101/2010 and SG No. 48 and 62/2015) shall be amended and supplemented as follows:

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§ 36. Paragraph 35, Item 1 regarding Article 22, Paragraph 4 shall enter into force on 1 April 2017.