

**LAW**  
**ON THE BULGARIAN NATIONAL BANK**

(Issued by the National Assembly; published in the State Gazette, issue 50 of 25 June 1991;  
amended, issue 32 of 1996)

***Chapter One***

**General Provisions**

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

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

**Article 2.** (1) The main task of the Bulgarian National Bank shall be to contribute to the maintenance of the internal and external stability of the national currency. For this purpose, it shall formulate and implement the national monetary and credit policy and shall contribute to the creation and maintenance of efficient mechanisms of payment.

(2) The Bulgarian National Bank shall have the exclusive right of issuing banknotes in this country.

(3) The Bulgarian National Bank shall regulate and supervise other banks' activities in this country for the purpose of ensuring the stability of the bank system.

**Article 3.** In defining the general directions of the monetary and credit policy, the Bulgarian National Bank and the Council of Ministers shall inform each other of their intentions and actions.

**Article 4.** (1) In connection with the performance of its functions, the Bulgarian National Bank may demand from banks and other financial institutions to submit any documents and information as well as carry out the respective examinations.

(2) The Bulgarian National Bank shall not make public and deliver to other persons information obtained, which is of confidential bank or commercial character for the other participants in the money turnover and credit relations.

**Article 5.** The Bulgarian National Bank may participate organizationally and financially in international cooperation in the sphere of foreign exchange, monetary and credit policy as well as to take part on its own in the activities carried out by such organizations if they are in favor of the Republic of Bulgaria.

**Article 6.** (1) The headquarters of the Bulgarian National Bank shall be in Sofia. It may have branches and representative offices.

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

## ***Chapter Two***

### **Statutory Fund and Reserves**

**Article 7.** (1) The statutory fund of the Bulgarian National Bank shall be BGL 200 million.

(2) The amount of the Bank's own capital by which it exceeds the statutory fund provided for in para. 1 by the date this Law enters into force, shall constitute the reserve fund of the Bank.

**Article 8.** (1) The reserve fund shall be formed out through deductions in the amount of 25 percent 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.

(2) Upon deduction of the amount for the reserve fund and for uncollectable or doubtful receivables, the necessary amounts for special funds, set up under a decision of the Managing Board, shall be allotted from the annual excess of the Bank's revenue over expenditure.

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

**Article 9.** (1) When the Bank's balance sheet indicates that the amount of its assets is less than the amount of its liabilities and paid-up capital, the Minister of Finance shall concede to the Bank negotiable, interest-bearing securities issued by the Council of Ministers in the amount necessary to cover the deficit. The securities conceded shall be redeemed from the annual excess of the Bank's revenue over expenditure.

(2) The procedures under para. 1 for covering the balance deficit shall be applied only in cases when the resources of the reserve fund of the Bank have been exhausted.

## ***Chapter Three***

### **Administration, Management and Employees**

**Article 10.** The management and the administration of the Bulgarian National Bank shall be carried out by a Managing Board, Plenary Council and Governor.

**Article 11.** The Managing Board shall consist of the Governor of the Bank, three deputy governors and five heads of departments (directors) of the Bank. Members of the Managing Board shall be only Bulgarian citizens.

**Article 12.** (amended; State Gazette, issue 32 of 1996) (1) The Governor and deputy governors of the Bulgarian National Bank shall be elected and removed from office by the National Assembly. The other members of the Managing Board shall be appointed and removed from office by the President on a motion by the Governor of the Bulgarian National Bank.

(2) The mandate of the Governor, deputy governors and other members of the Managing Board of the Bulgarian National Bank shall be for the term of five years.

**Article 13.** (1) At inauguration, the Governor, deputy governors and other members of the Managing Board shall be sworn in to abide by law, to contribute to the performance of the functions entrusted to the Bank and to keep bank and commercial secrecy.

(2) The Governor and deputy governors shall swear an oath to the National Assembly, while other members of the Managing Board shall do this to the Governor of the Bank.

**Article 14.** The members of the Managing Board shall not be engaged in any other paid activity with the exception of their occupation as assistants at scientific institutes and university lecturers.

**Article 15.** (amended; State Gazette, issue 32 of 1996) (1) The mandate of the Governor, deputy governors and other members of the Managing Board may be suspended before the term set in case of:

1. resignation;
2. actual inability to perform their functions for more than a year;
3. enforcement of an imprisonment sentence for a premeditated crime;
4. death.

(2) Besides the cases under para. 1, the mandate of the Governor and deputy governors of the Bulgarian National Bank may be suspended before the term set by a decision of three-fifths of all members of the Parliament.

(3) Besides the cases under para. 1, the mandate of a member of the Managing Board of the Bulgarian National Bank appointed by the President may be suspended before the term set on a motion by the Governor of the Bulgarian National Bank.

(4) Where the Governor, a deputy governor or a member of the Managing Board of the Bulgarian National Bank leaves before his term of office expires, a new person shall be elected respectively appointed for a new five-year term.

**Article 16.** (1) The Managing Board shall hold sessions at least once a month. It shall be convened by the Governor or at the request of no less than three of its members submitted through a written invitation.

(2) The sessions of the Managing Board shall be chaired by the Governor of the Bank; where he is absent, an appointed by him deputy governor shall perform this function.

**Article 17.** The Managing Board shall:

1. discuss and take decisions on the implementation of the monetary and credit policies;

2. adopt legislative acts concerning this Bank activities;
3. fix interest rates for this Bank operations;
4. fix the percentage of the minimum reserves to be held by the banks and approve the conditions and requirements for their fulfillment;
5. set rules and requirements regulating bank activities;
6. define the structure of the Bank, the tasks of its departments and the competence of its employees;
7. take decisions on introduction and discontinuation of particular activities of this Bank and issuance of securities;
8. open and close down branches and representations of this Bank;
9. take decisions for issuing new banknotes, and set the time limits after which the banknotes cease to be legal tender and within which banknotes called in have to be exchanged;
10. define the class of the securities and the conditions under which they could be accepted as collateral;
11. define the way and the competence for writing off uncollectable receivables of the Bulgarian National Bank;
12. adopt decisions for participation of the Bulgarian National Bank in international organizations and in initiatives and activities undertaken by such organizations;
13. adopt decisions for granting or revoking bank licenses in this country;
14. consider and resolve also other issues of the activity of this Bank.

**Article 18.** (1) The Managing Board may hold a session if more than one half of its members are present.

(2) Decisions shall be adopted by a simple majority of the members present. In the event of a tie vote the Governor shall have the casting vote; in his absence the casting vote shall belong to the deputy governor who chairs the Managing Board.

(3) Abstention from voting shall not be permitted.

**Article 19.** (1) The Plenary Council of the Bulgarian National Bank shall consist of the Managing Board together with six leading experts in the monetary, financial, business and scientific spheres, appointed by the Governor of the Bank for the term of three years.

(2) The Plenary Council of the Bank shall define the general directions of the monetary and credit policies and shall approve the annual report and the budget of the Bank.

(3) The Plenary Council shall be convened by the Governor of the Bank or at the request of one-third of its members.

(4) The Plenary Council may hold a session if two-thirds of its members are present.

(5) The provisions of Article 15, Article 16, para. 2 and Article 18, para. 2 shall also apply to the Plenary Council.

**Article 20.** The Governor of the Bulgarian National Bank shall organize, direct and supervise the activity of the Bank and shall represent it at home and abroad. He may mandate some of his competencies to other officials.

**Article 21.** The Managing Board may set up standing or interim consultative councils consisting of representatives of the industrial, agricultural, commercial, bank and other sectors of the economy.

**Article 22.** (1) Internal control on the financial activities of the Bank shall be carried out by a chief auditor, appointed by the Managing Board of the Bank upon approval by the Chamber of Accounts.

(2) The chief auditor shall:

1. check the annual financial report and the periodical reports prepared by the Bank;
2. make an evaluation of the balance sheet and budget of the Bank;
3. audit the Bank's books, vaults and safes;
4. submit to the Managing Board the reports after auditing and shall make recommendations for eliminating the errors detected.

**Article 23.** (1) The employees of the Bulgarian National Bank when taking office shall sign a declaration taking an oath of allegiance and observance of bank and commercial secrecy.

(2) The Bank employees shall observe secrecy concerning negotiations, deals contracted, amount of the clients' deposits and their operations, information received by the Bank, and all details of the Bank's and its clients' activities which represent official or commercial secrets for them.

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

## ***Chapter Four***

### **Monetary Unit, Banknotes and Coins**

**Article 24.** The monetary unit of the Republic of Bulgaria shall be lev (BGL), 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 issued by the Bank shall be legal tender and obligatory received as payment in their full face value without restriction.

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

(4) The banknotes and coins put in circulation by the Bank shall have face value, coverage, form and design, determined by the Council of Ministers.

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

**Article 26.** After informing the public through announcement in the State Gazette and other mass media, the Bulgarian National Bank may demand the withdrawal from circulation of its issued banknotes and coins by paying their face value. After 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.** (1) The conditions under which damaged banknotes could be exchanged at partial or full face value, shall be specified by the Bank.

(2) Coins punched, cut, deformed or bearing a private sign, or whose design is undistinguishable, shall be exchanged by the Bank at its discretion.

**Article 28.** Money put in circulation by the Bank shall be fully covered by the international reserves as determined by Article 34, para. 1 and by the following assets:

1. credits guaranteed by the State;
2. securities in the commercial portfolio of the Bank;
3. credits extended to banks against collateral;
4. checks owned and kept by the Bank and due to be collected.

### *Chapter Five*

### **Bank Operations**

**Article 29.** The Bulgarian National Bank shall have the right to carry out:

1. brokerage of exchange bills and discounting of checks;
2. credit operations against collateral;
3. operations with securities, including issuing and operations with securities of its own;
4. precious metals operations;
5. foreign exchange operations;
6. deposits and financial investment operations;

7. operations connected with the payments turnover;
8. commission operations;
9. cross-border bank operations.

**Article 30.** (1) The Bulgarian National Bank may:

1. discount commercial papers tendered by the banks and the other financial institutions which are payable in this country within three months and bear the signatures of at least two indebted persons of proved solvency;

2. extend credits to banks and financial institutions with maturity no longer than three months and collateralized by gold, securities, foreign currency and other assets specified by the Managing Board.

(2) The Managing Board of the Bank shall determine the type of securities accepted as collateral, conditions under which they shall be accepted, the part of the face value which could be covered by credit and the maximum amount of the possible credit to be extended against collateral of one and the same type of securities. It may define as a basis for acceptance of securities their market value instead of the face value.

(3) The Bank may extend to banks unsecured short-term credits under conditions determined by the Managing Board only if such credits are extremely necessary for meeting the debtor bank's liquidity requirements.

**Article 31.** The Bulgarian National Bank shall have the right to refuse discounting of securities or extending credit against collateral without accounting for its refusal.

**Article 32.** (1) Where a credit extended against collateral is not repaid on time, the Bulgarian National Bank shall have the right to sell the collateral received without litigation. The sale proceeds shall cover the Bank's receipts regarding the credit principal, interest and expenses; the current account of the debtor shall be credited with the balance.

(2) The Bank may not sell the collateral against an unpaid debt and instead lodge a claim against the debtor who is responsible with all his property for the amount due.

**Article 33.** The Bulgarian National Bank, while implementing its monetary and credit policies, may:

1. buy and sell securities properly put in circulation in the open market, including central and local government securities accepted by the Managing Board as equivalent for the Bank open market operations;
2. put in circulation its own securities for the purposes of its open market operations.

**Article 34.** (1) The Bulgarian National Bank shall set and maintain, under conditions periodically determined by the Managing Board, an international reserve consisting of all or some of the following assets:

1. gold;
2. foreign currency in notes and coins or bank balances kept abroad in currencies and countries specified by the Managing Board of the Bank;
3. internationally acknowledged reserve assets;
4. specified by the Managing Board bills of exchange and promissory notes denominated in foreign currency, as well as treasury bills and other foreign currency denominated securities issued or guaranteed by foreign governments;
5. other similar assets specified for this purpose by the Managing Board.

(2) The reserves under para. 1 shall be maintained at a level adequate to the international transactions of the State.

(3) If the reserves have diminished or the Bank considers them endangered by a decrease to an extent which could impair the necessary adequacy, the Bank shall submit to the Council of Ministers a report on the state of the reserves and on the reasons which caused or can cause such a decrease; the report shall be accompanied by recommendations for measures considered necessary for preventing or eliminating the decrease.

(4) The Bank shall periodically submit reports and recommendations provided for in para. 3 above until the reserves reach the necessary level.

**Article 35.** (1) All Bank profits arising from changes in the valuation of the Bank's assets or liabilities in, or denominated in gold or foreign currencies, as a result of change in the price or the exchange rates of gold or the foreign currencies against the lev, shall be kept in a special reserve account.

(2) Losses arising from changes provided for in para. 1 above shall be covered by the credit balance of the special reserve account; if the balance of this account and the balance of the reserve fund account are insufficient to cover such losses, the Council of Ministers shall transfer into possession of the Bank negotiable interest-bearing securities to the amount of the shortage. The securities transferred shall be covered from the annual excess of the Bank's revenue over expenditure.

**Article 36.** The Bulgarian National Bank may:

1. buy and sell gold and bullions 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 representative or correspondent of international financial institutions, central banks and other financial institutions outside this country.

**Article 37.** The Bulgarian National Bank shall accept for safekeeping precious metals, securities and other valuables under conditions defined by the Managing Board. It shall have the right to discontinue its obligations of depository unilaterally, informing the deponent 14 working days in advance by a written notification, after which it may transfer at deponent's expense and risk the valuables not withdrawn to the common public warehouses.

**Article 38.** (1) The Bulgarian National Bank may accept from banks, financial institutions, the Council of Ministers and municipalities money on current accounts or time deposits under conditions announced by the Managing Board.

(2) The Bank may reject a request for opening a current or deposit account, as well as close such an account after sending a written notification 14 working days in advance to the holder, without explaining the reasons for its actions.

**Article 39.** (1) For the purpose of facilitating noncash payments, the Bulgarian National Bank may organize or participate in organizing a clearing office and adopt rules for its activity.

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

## ***Chapter Six***

### **Relationship with Banks**

**Article 40.** (1) The Bulgarian National Bank shall:

1. determine the minimum reserve requirements the banks must hold with the Bulgarian National Bank up to the amount of 15 percent of all assets, as well as the method of their calculation;
2. approve other conditions and requirements aiming at maintenance of the stability of the credit system.

(2) A bank not complying with the determined minimum reserve requirements shall pay punitive interest on the amount of the shortage until it is fully covered, at a rate not exceeding the double interest rate at which the Bulgarian National Bank extends credits to other banks.

**Article 41.** The Bank shall have the right to demand and examine the accounts, files and books of each person who is reasonably considered to have extended or to extend credits.

**Article 42.** The Bulgarian National Bank shall determine:

1. rules regulating gold and foreign exchange operations of the banks in conformity with the foreign exchange legislation of this country for the purpose of protecting the national currency;
2. the ceiling on assets in gold and foreign exchange which the licensed institutions can keep on deposit with themselves;
3. the maximum amount allowed as open foreign currency positions of the banks and other financial institutions, the way and means for calculating and transferring to noninterest accounts with the Bulgarian National Bank of the minimum reserve requirements securing these positions.
4. the exchange rates at which it sells, buys or transacts gold and foreign currencies and shall set the basic exchange rate of currencies against the lev.

**Article 43.** The Bulgarian National Bank shall draw up the balance of payments of this country and for this purpose shall closely watch the international payments, the carrying out and the state of direct investments of nonresidents in this country and of residents abroad.

**Article 44.** (1) The Bulgarian National Bank shall carry out the supervision over the bank system. It shall collect information, follow banks' activities and carry out regular and target inspections in banks and other financial institutions, necessary for fulfillment of the Bank's tasks on bank supervision. Statistical data published by the Bank shall not contain data about separate operations and transactions.

(2) With regard to carrying out bank supervision, the Bulgarian National Bank may undertake all necessary actions to ensure the stability of the bank system.

## ***Chapter Seven***

### **Relations between the Bulgarian National Bank and the State**

**Article 45.** (1) The Bulgarian National Bank shall be the official depository of state monetary funds.

(2) The Bank shall organize and execute the cash performance of the state budget through commercial and other banks. The operations for the cash execution of the state budget shall be carried out by the banks free of charge.

(3) Under terms agreed upon with the Minister of Finance, the Bank shall issue and manage securities of the State or securities guaranteed by the State which are a public issue.

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

**Article 46.** The Bulgarian National Bank may extend to the State interim credits (advances) with up to 3 months of maturity, but repayable no later than the end of the calendar year. The maximum amount of the outstanding short-term credits at any time shall not exceed 5 percent of the annual revenue of the state budget, as well as the amount of the paid-in statutory fund and the reserve fund.

**Article 47.** Performing its functions the Bank shall be independent from the institutions of the Council of Ministers and other state bodies.

**Article 48.** The Bulgarian National Bank may purchase and sell securities issued or guaranteed by the State which constitute part of a public issue.

**Article 49.** Except in cases provided for by the Law, the Bank shall neither directly or indirectly acquire government securities, nor extend any credits to the government or to the municipalities.

### ***Chapter Eight***

#### **Accountancy and Balance Sheet**

**Article 50.** The fiscal year of the Bank shall begin on 1 January and end on 31 December.

**Article 51.** (1) The expenditure of the Bulgarian National Bank shall be made in accordance with the annual budget approved by the Plenary Council of the Bank.

(2) The administrative expenditure shall be made in accordance with a decision of the Managing Board.

(3) The reports of the budget expenses of the Bank together with the appropriate vouchers shall be audited by a commission appointed by the Chairman of the Chamber of Accounts, which shall prepare a special report on the results of the audit. The report on the budget expenditure of the Bank shall be submitted to the National Assembly together with its annual report.

**Article 52.** (1) The Bulgarian National Bank shall publish in the State Gazette:

1. the state of its assets and liabilities at the end of each month;
2. the annual balance sheet and profit and loss account of the Bank within four months from the end of the fiscal year.

(2) The monthly balance sheet of the Bank shall include:

1. on the assets side:
  - a) cash in Bulgarian coins;
  - b) cash in foreign exchange;
  - c) participation in international institutions;

- d) cash in foreign securities;
- e) credits extended to banks;
- f) credits extended to the State;
- g) securities;
- h) other assets.

2. on the liabilities side:

- a) statutory funds;
- b) reserve and other funds;
- c) amount of banknotes in circulation;
- d) current and deposit accounts;
- e) other liabilities.

(3) The annual balance sheet of the Bank shall be drawn up in levs as of 31 December of the respective year. The precious metal stock and asset items in foreign currency shall be calculated at market exchange rates as of 31 December, while all securities shall be shown at prices which shall neither exceed the acquisition price, nor the market price as of 31 December.

**Article 53.** The Bulgarian National Bank shall twice a year submit to the National Assembly and publish a report which:

- 1. substantiates the monetary policy it intends to pursue during the following six months;
- 2. describes the principles the Bank intends to follow while defining and implementing the monetary policy during the following two years or for another longer period set by the Bank;
- 3. reviews and assesses the monetary policy pursued during the past six months.

**Article 54.** The Bulgarian National Bank shall submit to the National Assembly its annual report, balance sheet and budget report no later than 30 April of the following year.

## ***Chapter Nine***

### **Administrative Sanctions and Penal Responsibility**

**Article 55.** (1) Where breaches of bank operation rules, minimum reserve requirements and other fixed by the Bank rules and the set principles of accountancy are detected, the Bulgarian National Bank shall impose on banks and other financial institutions administrative sanctions at the rate of BGL 10,000 to BGL 250,000.

(2) Where breaches under para. 1 of this Article have been repeatedly committed in the same year or have led to considerable damages, the administrative sanction shall be at the rate of BGL 20,000 to BGL 500,000.

**Article 56.** Individuals having breached this Law shall be fined up to the amount of BGL 10,000, provided their deed does not constitute a criminal offense.

**Article 57.** (1) Statements for breaches detected under Articles 55 and 56 of this Law shall be drawn up by the Bank Supervision authorities; administrative decrees shall be issued by the Governor of the Bulgarian National Bank or by an official authorized by him.

(2) Drawing up statements, issuing, appealing against and execution of administrative decrees shall be made in compliance with the Administrative Misdemeanors and Penalties Law.

## ***Chapter Ten***

### **Other Provisions**

**Article 58.** 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 connected with these possessions.

**Article 59.** The Bulgarian National Bank may effect deductions on its receivables, still not due, when a bank or another financial institution has begun procedure of liquidation of its activities or has stopped payments on its debt, as well as in cases when the Bulgarian National Bank has the right to obtain receivables before their falling due.

**Article 60.** (1) The Bulgarian National Bank shall not acquire real estate and proprietary rights, except when:

1. securing premises for the performance of its activity and housing for its employees;
2. avoiding losses connected with credit transactions.

(2) The Bank is obliged to free itself from real estate under item 2 of para. 1 of this Article in the course of five years.

**Article 61.** The Bulgarian National Bank shall be exempt from paying taxes to the central and local governments as well as from paying export and import charges.

**Article 62.** The Bulgarian National Bank shall publish a by-law regulating the application of this Law as well as Regulations governing the application of Chapters Four, Five, Six and Eight.

### **Additional Provision**

§ 1. Under this Law, the term “financial institution” shall mean all institutions besides banks which attract resources from other persons through acceptance of money deposits or through selling or marketing of bonds, certificates, bills of exchange and other securities, and use these resources fully or partially for extending credits or investment for their own account and at their own risk.

### **Transitional and Final Provisions**

§ 2. All operations, started before the date this Law is effective, which are in contradiction to its provisions, must be completed within five years from the date of its entry into force.

§ 2a. (new; State Gazette, issue 32 of 1996) The mandate of the Governor and deputy governors expires on 29 June 1996, five years after the enforcement of the Law on the Bulgarian National Bank.

§ 3. This Law shall repeal:

1. The Articles of Association of the Bulgarian National Bank (published in the Izvestie, issue 94 of 1956; amended in issue 11 of 1957, issue 104 of 1958, issue 32 of 1959, issue 20 of 1961, State Gazette, issue 99 of 1963, issue 65 of 1965 and issue 48 of 1989).

2. The Decree for reorganization of the bank system (State Gazette, issue 3 of 1967).

3. The Decree for the powers of the Bulgarian National Bank when liquidating its receivables and for penalties for breaching government instructions about Bank's activity (published in the Izvestie, issue 51 of 1951; amended in issue 12 of 1952, issue 94 of 1956, issue 5 of 1957 and issue 57 of 1961).

§ 4. The enforcement of this Law shall be carried out by the Managing Board of the Bulgarian National Bank.

### **Amendment to the Law on the Bulgarian National Bank**

(Published in the State Gazette, issue 32 of 1996)

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### **Transitional Provision**

§ 4. The provision under Article 15, para. 4 shall not apply to the Governor, a deputy governor or a member of the Managing Board of the Bulgarian National Bank elected/appointed prior to the enforcement of this amendment to the Law.