

Law on Banks

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Chapter One

General Provisions

Article 1. (1) A bank shall be incorporated as a joint-stock company which is engaged in the business of publicly accepting money on deposits and uses these funds to make loans and investments for its own account and at its own risk.

(2) A bank may also conduct the following commercial transactions:

1. purchase of bills of exchange and promissory notes;
2. foreign currency and precious metals transactions;
3. acceptance of valuables on deposit;
4. (amended; State Gazette, issue 114 of 1999) transactions under Article 54, para. 1 of the Law on Public Offering of Securities;
5. guaranty transactions;
6. handling payments on account and clearing checking accounts of other persons;
7. (repealed; State Gazette, issue 114 of 1999);
8. purchase of accounts receivable for the delivery of goods or services rendered and assumption of the risk related to the collection of these claims (factoring);
9. financial leasing;
10. bank cards issuance and management;
11. transactions in:
 - a) financial futures and options;
 - b) instruments related to exchange rates and interest rates;
12. provision of bank safes;
13. equity acquisition and management;
14. consultations rendered to companies as to their capital structure, industrial strategy and related issues, as well as consultations and services on transformation of companies and acquisition of enterprises;
15. consultations on portfolio investments;
16. other transactions as specified by the Bulgarian National Bank, hereinafter referred to as 'the central bank.'

(3) Banks shall not conduct in the course of business transactions other than those provided for under paras. 1 and 2, except where necessary to conduct their activities or in the process of collecting their claims on loans made.

(4) Transactions under paras. 1 and 2, items 1, 3, 5, 6, 10, 12, and 16, hereinafter referred to as 'bank activity', may be conducted only by:

1. a person which has been granted a bank permit (license) by the Bulgarian National Bank;
2. a bank headquartered abroad which has been granted a permit (license) by the Bulgarian National Bank to conduct activities in this country through a branch office.

(5) A nonbank financial institution shall be a person whose main subject of activity is the conduct of one or more of the following transactions:

1. financial leasing;
2. equity acquisition and management;
3. transactions in foreign instruments of payment;
4. consultations rendered to companies as to their capital structure, industrial strategy and related issues, as well as consultations and services on transformation of companies and acquisition of enterprises;
5. consultations on portfolio investments;
6. (amended; State Gazette, issue 114 of 1999) transactions under Article 54, para. 1 of the Law on Public Offering of Securities;
7. factoring.

(6) Unless otherwise provided for by another law, a permit shall not be required to make transactions under para. 5. Within 14 days from the start of their activities, non-bank financial institutions shall notify the central bank of the scope of transactions they are engaged in.

Article 2. The provisions of this Law shall not apply to:

1. the central bank whose activity is regulated by a separate law;
2. insurance institutions – with regard to their transactions, provided for by a separate law;
3. the postal system – with regard to financial operations typical of its activity;
4. social and health insurance institutions;
5. persons who make cash loans on pawn (pawnbrokers' offices) under a procedure determined by the Council of Ministers;
6. investment intermediaries, investment and privatization funds – with regard to their transactions, provided for by a separate law;
7. mutual aid funds of cooperatives extending loans only to their members on the account of contributions made by them and cooperative funds.

Article 3. The provisions of this Law shall also apply to banks established by a separate law unless otherwise provided.

Article 4. (1) The central bank shall supervise banks, bank groups and financial holding companies on a consolidated basis in accordance with this Law and by-laws issued to regulate its enactment.

(2) Bank group shall be a bank whose subsidiaries as per Article 277 of the Law on Commerce are other banks, nonbank financial institutions or banks and nonbank financial institutions.

(3) A financial holding company shall be an enterprise which has a bank as a subsidiary.

Chapter Two

Incorporation and Management

Article 5. (1) A bank shall be incorporated as a joint-stock company and, unless otherwise provided for by this Law, the Law on Commerce shall apply to it.

(2) (amended; State Gazette, issue 54 of 1999) Banks may open more than one branch in a town or village, including in the town where the head office is located.

Article 6. Shares issued by the bank shall be only registered, entitling their holder to one vote.

Article 7. The Articles of Association of a bank shall also contain, in addition to the information required by the legislation relevant to its form of organization, information on the bank transactions to be conducted, the authority to sign for and represent the bank, and the manner by which internal control will be exercised.

Article 8. (1) The bank shall be managed and represented jointly by at least two persons who permanently reside in this country. They shall not delegate the entire management and representation of the bank to only one of them, but may authorize third persons to take individual actions.

(2) (repealed; State Gazette, issue 54 of 1999).

(3) Legal persons shall not be elected members of the managing board or the board of directors.

Article 9. (1) The members of the managing board or the board of directors shall:

1. have a university degree in economics or law;
2. have the requisite qualifications and professional experience in banking;
3. not have been convicted of a premeditated crime of a public character;
4. not have been members of an executive or controlling body, or general partners in a company which has been wound up by insolvency, if creditors have not been paid;
5. not have been during the last 5 years prior to the date of the decision declaring the bank insolvent members of its managing or controlling body;
6. not have been deprived of the right to hold positions of material responsibility;
7. not be spouses, or relatives, in direct or lateral lineage up to the third degree either to each other, or to another member of the managing or controlling body of the bank.

(2) The qualifications and professional experience required under para. 1, item 2 shall be ascertained with a certificate issued by the central bank. The terms and procedure for issuance and revocation of the certificate shall be set by a regulation. The refusal for issuance or revocation of a certificate are not subject to appeal before Court.

(3) The circumstances under para. 1, items 4, 5, 6 and 7 shall be established by a declaration.

(4) A person not meeting the requirements of para. 1, and with regard to bank management – also Article 8, para. 1, shall be removed from office by the central bank unless the competent body dismisses him within the term set by the central bank.

Article 10. (1) (former wording of Article 10; State Gazette, issue 54 of 1999) A member of a managing or controlling body of a bank shall be removed from office where it is found that the person does not meet any of the requirements provided for by Article 9, para. 1, items 3, 4, 5, 6 and 7.

(2) (new; State Gazette, issue 54 of 1999) Persons representing the legal persons in supervisory boards shall meet the requirements provided for by Article 9, para. 1, items 3, 4, 5, 6 and 7. Persons not meeting these requirements shall be removed from office by the central bank unless the competent body dismisses them within the term set by the central bank.

Chapter Three

Granting and Revoking Permits (Licenses) for Conducting Bank Operations

Article 11. (1) A written permit (license) granted by the central bank shall be required for conducting bank activities.

(2) The following documents shall be attached to the application for issuance of a bank permit:

1. the Articles of Association and other Acts of Association;
2. information on the paid-in and subscribed capital;
3. the business plan of the bank;
4. the names and addresses of the members of the supervisory and managing boards (board of directors) of the bank, and detailed written information concerning their qualifications and professional experience;
5. certificates under Article 9, para. 2 for the members of the managing board (board of directors);
6. information about the persons who have subscribed for three and more than three percent of the capital. Physical persons and representatives of legal persons shall present in writing a declaration stating:
 - a) the origin of the funds used to make payments against subscribed shares;
 - b) that the funds have not been borrowed;
 - c) the taxes paid by them in the past five years.
7. written information about the name and residence (headquarters) of the persons having directly or indirectly subscribed for more than five percent of all voting shares, and about their professional (business) activities for the past ten years;
8. other information and documents as may be required by the central bank.

Article 12. (1) In order to obtain a permit to carry out bank activities in this country through a branch office, in addition to the application a foreign bank shall submit:

1. a verified copy of the registration certificate of the bank and a document issued by the registration authority with current data on the headquarters and registered address, subject of activities, amount of capital, management system, and on the persons who represent the bank;
2. a verified copy of the permit for the conduct of bank activities issued by the competent authority in the bank's country of domicile;
3. a verified copy of the Articles of Association;
4. a business plan;
5. financial annual reports for the past three years;
6. the written consent of the bank supervisory body of its country of domicile for opening a bank branch;
7. information about the persons entrusted with the management of the branch office, including their professional qualifications and experience in banking;
8. other information and documents as may be required by the central bank.

(2) The license of a branch under Article 1 shall not grant the right to make transactions that the foreign bank may not conclude in its country of domicile.

(3) The license shall be issued only if the competent bank supervision authority in the foreign bank's country of domicile supervises the bank on a consolidated basis.

(4) A license shall be issued solely to prime-rate banks operating in international financial markets or to banks having guarantees by such banks.

Article 13. The commercial representative office of a foreign bank in this country shall submit to the central bank a copy of the certificate of registration within 14 days from the date of issue. It shall not conduct bank transactions.

Article 14. (1) Before ruling on the application for a license, the central bank shall make all necessary inquiries to verify the validity of the documents submitted and the applicant's financial status.

(2) Within six months after receipt of the application and all documents required, the central bank shall notify in writing the applicant of its decision to either grant a final license for conducting bank activities, if the conditions under Article 15 are met, or to refuse granting a license.

Article 15. (1) The license for conducting bank activity shall be granted if within 6 months from the receipt of the notice under Article 14, para. 2, the applicant proves that the following conditions are met:

1. the persons with subscribed shares have paid their contributions totaling not less than the minimum capital required for conducting bank activity. For a branch office of a foreign bank, a document shall be submitted that verifies the transfer of the capital required for the branch activity, where such a requirement is prescribed in a regulation of the central bank.
2. the appointed administrators have the qualifications and experience required for the performance of their functions;
3. appropriate buildings and the necessary equipment have been provided for the conduct of bank activity;
4. an internal control office has been set up and the recruited employees have the professional qualifications and experience required for that activity.

(2) The license to conduct bank activity may rule out transactions or activities, where the central bank considers that the applicant does not have the required qualifications.

(3) If within the term specified in para. 1 the applicant does not submit the required documents, the central bank shall refuse to grant a license for conducting bank activity.

(4) The license granted shall be entered in a special register at the central bank.

Article 16. (1) Apart from the cases under Article 15, para. 1, the central bank shall refuse to grant a license where:

1. the Articles of Association and the other Acts of Association do not comply with this Law or other legislative acts;
2. the central bank establishes that the activity the applicant intends to perform does not ensure his financial stability;
3. the capital of the bank and paid-in portion are below the minimum required by the central bank;
4. the Articles of Association contain provisions which do not guarantee the assets security;
5. some of the members of the managing board (board of directors) cannot hold the position due to a legal disability or because they do not meet the requirements set forth in Article 9, para. 1, or they are on trial as accused or defendants for a premeditated crime of a public character;
6. some of the shareholders controlling over five percent of the votes, by their actions or by their influence on decision-making, may harm the reliability or the security of the bank, or its operations;

7. it has found out that persons who have subscribed for three or more than three percent of the capital have made payments with borrowed funds.

(2) The central bank shall refuse granting a license to conduct bank activity to a foreign bank in this country through a branch office, if the central bank considers that the supervision of the foreign bank exercised on a consolidated basis by the competent authority in its country of domicile does not comply with the requirements prescribed by this Law.

(3) (amended; State Gazette, issue 114 of 1999) The central bank shall refuse to grant a license for the conduct of transactions pursuant to Article 1, para. 2, items 4 and 7, where the requirements of the Law on Public Offering of Securities and of the regulatory enactment acts thereof have not been satisfied.

(4) (new; State Gazette, issue 114 of 1999) Prior to ruling on the application for conducting transactions under Article 1, para. 2, item 4, the central bank shall take into account the written opinion of the State Securities Commission if it has been submitted to the bank within one month after the central bank's request.

Article 17. In case of a refusal, the applicant may renew his application for a license to conduct bank operations no earlier than six months after the adverse ruling has come into force, or upon expiry of the term contained in Article 14, para. 2 when no decision is issued.

Article 18. (1) A person who does not have a license to conduct bank activity, shall not use either in his name or in his advertising or other activity the term 'bank' or any of its derivatives in a foreign language, or any other terms designating bank operations.

(2) The ban under para. 1 shall not apply to any institution whose name has been established or recognized by a law or an international agreement to which the Republic of Bulgaria is a signatory, as well as when the context in which the term 'bank' has been used makes it clear that the institution does not engage in bank transactions.

(3) A license shall not be issued for conducting bank operations under a name bearing a resemblance to the name of a bank existing in this country.

Article 19. (1) (amended; State Gazette, issue 54 of 1999) A local or foreign person, as well as related persons shall not, without the written permission of the central bank, except for the cases under para. 2, directly or indirectly acquire shares in a local bank, enabling those persons to control ten and more than ten percent of all voting shares.

(2) (new; State Gazette, issue 54 of 1999) In case the shares under para. 1 are acquired without said permission, through public offering on the stock exchange or other regulated (organized) market of securities, the buyers may not exercise their voting powers over these shares until receipt of a written permission by the central bank. If no permission is requested within a month following acquisition or no such permission is issued, the central bank may enforce the measures provided for by Article 65, para. 2, item 12.

(3) (new; State Gazette, issue 54 of 1999) Before issuing the permission the shares under para. 2 shall not be taken into consideration when the quorum of shareholders' general meeting is formed.

(4) (former para. 2; State Gazette, issue 54 of 1999) Without the written permission of the central bank, the bank may not:

1. open branches abroad;
2. alter its name as designated in the license;
3. be transformed through a takeover, merger, or split;
4. conduct bank transactions beyond the scope of the license granted;
5. increase its capital by noncash contributions;
6. buy back its own shares;
7. reduce its capital.

(5) (former para. 3; amended; State Gazette, issue 54 of 1999) Any bank not having received a written permission from the central bank may not severally or jointly with a person related to it, directly or indirectly, acquire equity in a company other than a bank where:

1. that equity is a qualified equity;
2. the value of said equity exceeds 15 percent of the bank's own funds;
3. (repealed; State Gazette, issue 54 of 1999).

(6) (former para. 4; amended; State Gazette, issue 54 of 1999) The provisions of para. 5 shall not apply if the equity interests are acquired to repay loans. In such a case the bank shall bring its equity in conformity with the approved amount within 3 years.

(7) (amended; State Gazette, issue 52 of 1998; former para. 5; amended; State Gazette, issue 54 of 1999) The central bank shall consider the application for a permission pursuant to paras. 1, 2, 4 and 5 within 3 months after receipt. In the cases under para. 4, item 3, the central bank shall consider the application if a permit for the merger or takeover is presented by the Commission on Protection of Competition, where its issuance is obligatory.

(8) (new; State Gazette, issue 54 of 1999) The terms and procedure for issuance of permissions pursuant to paras. 1, 2, 4 and 5 shall be established by a regulation issued by the central bank.

(9) (former para. 6; amended; State Gazette, issue 54 of 1999) Transactions and decisions under paras. 1, 4 and 5, concluded without permission, shall be declared null.

Article 19a. (new; State Gazette, issue 54 of 1999) (1) When the general meeting, respectively the supervisory board (the board of directors), takes a decision to increase a bank's capital with shareholders' contributions, it shall set a term for contribution payments not longer than 6 months from the entry of the decision. For public offering of shares, the term shall be effective as of the date of publication of the prospectus.

(2) Shares on which no contribution payments have been made or have not been duly sold shall be null and the respective body shall take action to change the decision up to the amount of actually paid-in capital. The decision for a change shall be taken not later than 3 months after expiry of the term under para. 1.

(3) If the decision under para. 2 has not been duly taken, the Court, upon request by the central bank, shall enter the said change.

(4) For shareholders in respect whereof a ground for applying for a permission arises as a result of the change in the decision, Article 19, para. 2 shall be applied.

(5) The procedure under para. 3 shall apply furthermore in case the central bank ascertains that the capital has been increased with noncash contributions without permission or if the cash contributions are not owned by the shareholder.

Article 19b. (new; State Gazette, issue 54 of 1999) (1) A permission pursuant to Article 19, para. 1 shall be granted to a shareholder who, participating in the increase of a bank's capital with shareholders' contributions or through conversion of bonds into shares, acquires or retains ten or more than ten percent of the voting shares of the increased capital. The shareholders shall provide documents and information as established by a regulation of the central bank for issuance of the permission.

(2) In case of a violation of the requirements under para. 1, the central bank may take measures pursuant to Article 65, para. 2, item 12.

Article 20. (amended; State Gazette, issue 52 of 1998) The District Court shall register the bank and enter any changes pursuant to the provisions of Article 19, para. 2, upon submission of the relevant permits issued by the central bank and in the cases under item 3, the permit of the Commission on Protection of Competition, where its issuance is obligatory.

Article 21. (1) The central bank may revoke a license for conducting bank activity where:

1. the bank fails to commence the permitted bank operations within 12 months after the permit has been granted;
2. infractions under Article 65, para. 1 have been found;
3. the bank has submitted false information which provided a basis for granting the license;
4. the license of a foreign bank effecting bank activity in the country by a branch has been revoked by the competent authority in the country of its domicile.

(2) The central bank shall in all cases revoke the license issued to a bank due to insolvency, where:

1. the bank fails to pay its obligation due for more than 7 days; or
2. the total of its liabilities exceeds the total of its assets.

(3) The value of the bank's assets and liabilities shall be determined by the central bank in accordance with the supervisory requirements and rules prescribed in a regulation issued by the central bank.

(4) By the act of revoking the license, the central bank shall obligatorily appoint conservators, if such have not been appointed before.

(5) The central bank's decision to revoke the bank license shall forthwith come into effect and may not be appealed before Court. The provisions of Article 7, para. 2 and Article 11, para. 1 of the Law on Administrative Procedure regarding the explanations and objections of persons concerned shall not apply.

Article 22. After taking a decision to revoke the bank license of a bank, the central bank shall file a petition to the relevant District Court to institute bankruptcy proceedings against the bank in the cases of Article 21, para. 1, or to institute insolvency proceedings in the cases of Article 21, para. 2 publish its decision in the State Gazette, and take any other necessary steps to inform the public of the revocation of the license.

Chapter Four **Own Funds, Liquidity and Other Requirements**

Article 23. (1) (amended; State Gazette, issue 54 of 1999) A bank or bank group shall, at all times, maintain own funds (capital base), whose minimum amount, structure, and ratios to the

balance sheet assets and liabilities and off-balance-sheet commitments shall be determined by the central bank in accordance with the scope of bank transactions.

(2) The minimum paid-in capital required for the incorporation of a bank shall not be less than BGL 10 billion.

(3) Contributions against subscribed shares up to the minimum capital required under para. 2 shall be made solely in cash.

Article 24. (1) (amended; State Gazette, issue 54 of 1999) To set up its reserve fund, the bank shall set aside at least one-fifth of its profit, after paying the taxes due and before paying dividends, until the amount in the fund has reached 1.25 percent of the total balance-sheet assets plus off-balance-sheet commitments.

(2) When the amounts on the reserve fund fall below the minimum amount, as set forth in para. 1, the bank shall replenish the amounts in the fund, so that the minimum level is restored within 2 years.

Article 25. A bank shall maintain such a level of assets that allows it to meet its monetary obligations without delay. Liquidity criteria shall be determined by the central bank.

Article 26. (1) Banks shall maintain differentials between their foreign currency assets and liabilities by individual foreign currency as well as in total, in amounts not exceeding the amount determined by the central bank set as a percentage of the own funds of the respective bank.

(2) The central bank shall issue a regulation on the enactment of para. 1.

Article 27. (1) A bank shall periodically assess its loans and other risk assets, including its off-balance sheet liabilities, and shall allocate provisions to cover the risk of losses according to criteria set by a regulation of the central bank.

(2) Provisions shall be an item of accounting expenditures and an adjustment for the book value of assets.

(3) Until payment of overdue interest, banks shall exclude from their revenues the interest on loans with payments overdue for more than 90 days.

Article 28. Banks shall not pay dividends before setting aside allocations to the reserve fund, and if this would lead to a violation of the requirements under Article 23.

Article 29. (amended; State Gazette, issue 54 of 1999) (1) Banks and bank groups shall not, at all times, exceed the established ratios of big exposures to own funds.

(2) Banks and bank groups shall establish an exposure to one person or to related persons as a sum of the balance-sheet assets and off-balance-sheet commitments determined by a regulation of the central bank.

(3) An exposure to one person or related persons shall be considered big, in case it is equal or exceeds 10 percent of the own funds of the bank or the bank group.

(4) A decision resulting in a big exposure shall be adopted by the managing board (board of directors). Provided the exposure exceeds 15 percent, the decision shall be adopted unanimously.

(5) The exposure to one person or related persons shall not exceed 25 percent of the own funds.

(6) The total amount of all big exposures under para. 3 shall not exceed eight times the own funds.

(7) The central bank shall determine the terms and procedure for the inclusion of a particular exposure with a reduced amount in determining the ratios under paras. 5 and 6.

(8) The restrictions under paras. 5 and 6 shall not apply to:

1. exposures to the state and the central bank or unconditionally guaranteed by them;
2. exposures to governments, central banks and international institutions determined by the central bank or unconditionally guaranteed by them;
3. exposures entirely guaranteed by securities issued by the Government of the Republic of Bulgaria, the central bank or by governments, central banks and international banks determined by the central bank;
4. exposures entirely guaranteed by a pledge of gold or a pledge of claim on the bank in national or convertible foreign currency.

Article 30. (1) (amended; State Gazette, issue 54 of 1999) The total amount of a bank's investment in real estate and other tangible fixed assets shall not exceed 50 percent of its own funds and together with equity participations in companies other than banks: the bank's total own funds.

(2) (amended; State Gazette, issue 54 of 1999) The provision of para. 1 shall not apply to tangible fixed assets and equity participations in companies other than banks, which the bank has acquired from mortgages, pledges and other collateral for the purpose of preventing losses from its bank operations, provided they are transferred within two years following acquisition.

(3) A bank may not be a general partner in a commercial company.

Chapter Five **Disclosure of Conflicts of Interest. Fiduciary Obligations**

Article 31. (1) Any administrator of a bank shall disclose in writing to the bank's managing body any material commercial, financial or other business interest that he or members of his family have with regard to a commercial transaction concluded with the bank.

(2) Material interest shall exist wherever a party to a contract with the bank is:

1. the administrator or a member of his family;
2. a person to whom the administrator or a member of his family is economically related by:
 - a) holding, directly or indirectly, a qualified equity;
 - b) being an administrator of that person;
 - c) being a partner in an unlimited or limited liability partnership, or a limited liability company.

(3) Any administrator shall declare in writing to the managing board (board of directors) at least every six months the names and addresses of the persons economically related to him or members of his family and the business interests they have with the bank at the time the declaration is submitted.

(4) Any administrator who has a business interest in the conclusion of a particular transaction with the bank, shall not participate in the negotiations or in the discussion and decision on its conclusion.

(5) In performing their functions administrators and other employees of a bank shall be obliged to place the interests of the bank and its customers before their own interests.

(6) Banks shall organize their activities in a manner that prevents situations where the obligations of administrators and other employees to a customer of the bank come into conflict with their obligations to another customer, or their own interests come into conflict with their obligations to a customer of the bank.

Article 32. Transactions concluded by an administrator in violation of Article 31 shall be declared null and void by the Court at the request of the bank, the central bank or another person concerned.

Article 33. Upon establishment of a violation of Article 31 by an administrator, the central bank shall oblige the bank's competent body to terminate his powers within a specified term, or shall remove him from office, if he has not been dismissed within the specified term.

Article 34. Banks shall adopt rules to establish the procedure for disclosing conflicts of interests and ensuring the fiduciary character in order to prevent a bank customer's interest from being impaired because of another bank customer, administrator or employee, or the bank's interest from being impaired because of the interests of its administrators or employees.

Chapter Six

Relations between Banks and between Banks and Their Customers

Article 35. (1) (former wording of Article 35; State Gazette, issue 54 of 1999) Banks may make loans to one another in a manner agreed upon between them.

(2) (new; State Gazette, issue 54 of 1999) Banks may issue in levs and foreign currency bonds, other debt securities, as well as rights related thereto.

Article 36. (1) (former wording of Article 36; amended; State Gazette, issue 54 of 1999) The central bank shall create an information system on the credits extended by the banks to their customers and related persons over the set limit. The conditions and the procedure for the establishment and functioning of the system shall be determined by a regulation of the central bank.

(2) (new; State Gazette, issue 54 of 1999) The information collected in such a manner may be used upon keeping bank secrecy.

Article 37. Interest rates on credits and money deposits shall be negotiated between the borrowers and depositors respectively, and the banks.

Article 38. (1) A bank may accept money on deposit only if it has announced the terms and conditions which shall apply to all depositors.

(2) Terms and conditions shall contain:

1. the interest rates and the method of calculating the interest, if the liability for periodic interest is not a proportional part of the annual interest rate;
2. the intervals for interest payments, and whether the interest rate is variable or not;
3. the minimum amount acceptable for deposit;
4. the minimum period during which the deposit cannot be withdrawn, or can be withdrawn but with the loss of all or part of the interest;
5. the amount up to which deposits are guaranteed.

Article 39. (1) When granting loans, the bank shall offer its customers, free of charge, its business rules which shall contain:

1. information on the total costs of the credit (interest, fees, commissions, etc.), and on the objective criteria which may alter these costs;
2. the method of evaluating the interest, if the liability for periodic interest is not a proportional part of the annual interest rate;
3. the additional obligations related to payments;
4. the effective interest rate, calculated in a manner determined by the central bank.

(2) In cases of consumer loans, the bank shall, upon concluding the loan, send the borrower information, in writing, on the current interest rate applicable expressed as an annual interest rate, the total amount due, the criteria for fixing a floating interest rate if such is applied, as well as on the other costs.

(3) If the borrower has used credit above the initially agreed amount (overdraft), the bank shall notify him in writing of the interest rate applicable for the respective period, as well as of the other costs related to the loan.

(4) The costs of the loan shall be determined by a loan agreement, including the cases of prepayment of the principal.

Article 40. The bank shall announce the general terms and conditions for deposits and loans on premises accessible to customers.

Article 41. (1) (amended; State Gazette, issue 54 of 1999) When granting loans, the bank may not accept as collateral shares issued by said bank or by persons related to it.

(2) Banks shall mandatorily adopt and submit to the central bank rules governing their credit activities, which will mandatorily contain:

1. information required from borrowers;
2. the manner of assessing borrower's and his surety's (guarantor's) creditworthiness;
3. the manner of assessing proposed collateral;
4. the manner of assessing the efficiency of the project that the credit is applied for;
5. the decision-making procedure for granting a credit depending on the type thereof;
6. the procedure for the use of a credit and the redemption thereof;
7. the procedure for exercising control over the use of a credit, current financial position of borrower and his sureties, and the adequacy of collateral;
8. types of sanctions related to credits and other sanctions, and the enforcement thereof.

Article 42. (1) Where a credit is not repaid at maturity, the bank has the right to obtain a writ of execution, on the basis of a statement of account.

(2) The loan agreement may provide for the bank the right to sell the collateralized item at an auction, under a procedure established by a regulation of the Minister of Justice and the Governor

of the central bank. This procedure shall not apply to special collaterals provided for by the Law on Special Collaterals.

Article 43. (amended; State Gazette, issue 54 of 1999) The bank shall be entitled to a legal mortgage on real estate and property rights thereto acquired entirely or partially through the use of a bank credit.

Article 44. Banks may require from borrowers to submit statements and other documents connected with their activities, as well as to conduct examinations regarding the appropriate use of the loan proceeds, and the conditions of storing, and the quality of commodities purchased with the loan proceeds.

Article 45. (1) Banks shall make noncash payments under a procedure established by a regulation of the central bank.

(2) The central bank shall determine the procedure for the issuance of and payment by a bank card.

Article 46. Operations on the cash basis performance of government and local government budgets shall be carried out by banks free of charge.

Chapter Seven

Credit Restrictions

Article 47. (1) A bank may, by an unanimous decision of its collective managing body, and with the approval of the head of the specialized internal control office extend loans to:

1. administrators of the bank;
2. spouses and relatives in direct lineage to the third degree, including the relatives of the persons under item 1;
3. holders of shares ensuring them over five percent of the total number of votes at the Shareholders' General Meeting;
4. a shareholder whose legal representative is a member of a managing or supervisory body of the bank;
5. legal persons in which persons under items 1, 2, 3 and 4 take part in the management;
6. commercial companies in which the bank, or a person under items 1, 2, 3 and 4 is involved with the management of or has a qualified equity;
7. persons supervising the bank's operations;
8. the head of the specialized internal control office in the bank;
9. (repealed; State Gazette, issue 21 of 1998)

(2) In the cases under para. 1, the terms and conditions of redemption and the amount of interest shall be stipulated in the decision for extending the credit.

(3) The provision of para. 1 shall not apply where:

1. the amount of the loan made to persons described in para. 1, items 1, 2, 7 and 8 does not exceed their annual remuneration;
2. the amount of the loan made to persons described in para. 1, items 3, 4, 5, 6 and 9 is below one percent of the paid-in capital of the bank.

(4) Banks shall not offer preferential credit conditions to persons described in para. 1, such as:

1. entering into a transaction which, because of its substance, aim, character or risk could not be entered into by the bank with customers not mentioned in para. 1;
2. collecting interest, fees or other financial obligations, or accepting collateral which is less than required from other customers.

(5) (amended; State Gazette, issue 54 of 1999) The amount of an unsecured loan made by a bank to one of its employees shall not exceed his 24-month gross salary. Banks shall adopt internal rules for extending such loans.

(6) (amended; State Gazette, issue 54 of 1999) The total amount of the loans made to persons described in para. 1 shall not exceed ten percent of the bank's own funds, and loans described in para. 5 shall not exceed three percent of the bank's own funds.

Chapter Eight **Special Rules for Certain Deposits**

Article 48. (1) Money amounts intended for accumulation shall be accepted as savings deposits.

(2) In opening savings deposits, banks shall issue savings account-books, or any other similar document showing all installments and payments on the deposit.

(3) Instructions concerning a savings deposit can be given only after the presentation of the document under para. 2. Where the entire deposit has been withdrawn, the document under para. 2 shall be retained by the issuer.

Article 49. (1) If the document under Article 48, para. 2 is lost, destroyed, or stolen, the depositor shall immediately notify the bank in writing.

(2) The bank shall not be held responsible if, before being notified pursuant to para. 1, it has in good faith paid an amount to a person authorized to receive the payment.

(3) Where there are discrepancies between the bank record in the deposit account and the record in the document under Article 48, para. 2, the record in the document under Article 48, para. 2 shall prevail unless more than three years have passed since the last entry of accrued interest. Otherwise, the bank record in the deposit account shall prevail.

Article 50. An enterprise is prohibited to establish savings funds to accept money deposits from employees under the liability of the enterprise. Employers may accept money deposited by their employees only if the money is immediately deposited with a bank in the name and for the account of each of the employees.

Article 51. (repealed; State Gazette, issue 54 of 1999).

Chapter Nine **Bank Secrecy**

Article 52. (1) Bank employees, members of managing and controlling bodies of the bank, officials from the central bank, liquidators, as well as any other person working for the bank, shall not, unless authorized, disclose, use to their personal benefit or to the benefit of the members of their families, facts and circumstances concerning the assets and transactions on accounts and deposits of the bank's customers which have become known to them in the performance of their professional duties.

(2) All bank employees when taking office shall sign a declaration regarding the maintenance of bank secrecy.

(3) Provisions of para. 1 shall also apply to cases where the persons concerned are not in office or their activities have been discontinued.

(4) Except for the central bank and for the purposes of and pursuant to the conditions set forth in Article 36, a bank may disclose information on the transactions and balances on individual customers' accounts only with their consent or pursuant to a court ruling.

(5) The Court shall be entitled to decide on disclosure of the information under para. 4 and upon demand of:

1. the Public Prosecutor should there be reason to believe that a crime has been committed;
2. (amended; State Gazette, issue 103 of 1999) the director of the regional tax directorate where:
 - a) by an act of tax authorities, it has been ascertained that the person subject to inspection has frustrated the conduct of a tax inspection or has not kept proper accounting or that there are significant imperfections in said accounts;
 - b) by an act of a competent government body evidencing the occurrence of a fortuitous event which has led to the destruction of the accounting records of the person inspected.
3. administrators at the Central Directorate of State Financial Control and of territorial offices of State Financial Control where by an act of any such body it has been ascertained that:
 - a) the managers of the audited entity have frustrated the conduct of a financial audit or inspection;
 - b) the audited entity has not kept any accounting records as required or said records are deficient or false;
 - c) there exist deficiencies or crimes;
 - d) a distraint on bank accounts must be made to recover the claims as ascertained by the audit;
 - e) a public authority has ascertained the occurrence of a fortuitous event which has led to the destruction of accounting records of the audited entity.
4. (new; State Gazette, issue 15 of 1998; amended, issue 63 of 2000) the directors of the Customs Agency and regional customs directorates where:
 - a) by an act of a customs authority, it has been ascertained that the person subject to inspection has frustrated the conduct of a customs inspection or has not kept proper accounting or that there are significant imperfections in said accounts;
 - b) by an act of a customs authority, it has been ascertained that customs requirements have been violated;
 - c) bank accounts are blocked to secure the collection of claims due to customs authorities as well as to secure the collection of fines, legal or other interest;
 - d) by an act of a competent government body evidencing the occurrence of a fortuitous event which has led to the destruction of accounting records of the entity subject to customs inspection.

(6) The district judge shall take a motivated decision on the motion in camera no later than 24 hours after its submission, fixing the time limit for disclosure of the information under para. 4. The court ruling is not subject to appeal.

(7) On a motion in writing by the Director of the Central Service for Combating Organized Crime, the Director of the National Investigation Service, and the Director of the National Police, banks are obligated to provide information on the balances and flow of funds on accounts of companies with over 50 percent state and/or municipal interest.

Chapter Ten

Maintenance and Disclosure of Information

Article 53. A bank shall establish and maintain updated an information system containing :

1. its Articles of Association and other internal regulatory acts and all amendments made thereto;
2. (amended; State Gazette, issue 54 of 1999) a register of its shareholders, kept pursuant to the Law on Commerce and the additional requirements of the central bank;
3. books with the minutes of meetings of the Shareholders' General Meeting and of other managing bodies;
4. accounting information showing clearly and accurately the type and amount of and the grounds for concluded deals and the effect thereof on the bank's financial position, which may be used as a basis for determining whether the bank operates in compliance with the provisions of this Law;
5. information showing for each customer particulars of the bank's transactions with or for the account of that customer and the credit and debit balances thereof;
6. other information as required by this Law and the acts adopted by the central bank.

Article 54. A bank shall create and keep credit files for any customer credit, containing data about the customer, the grounds for, the terms and conditions and the amount of the credit and its collateral, the decision of the competent body for the extension of the credit and any other information in relation to the conclusion of the contract and the performance thereof.

Article 55. Banks shall submit to the central bank reports in a format, content and time limits established by the central bank.

Article 56. A bank shall publish each 6 months in at least one central daily newspaper its balance sheet and profit and loss account in a format specified by the central bank.

Article 57. (1) Banks shall notify the central bank in writing within 10 days of:

1. any personnel changes in their managing bodies;
2. any decreases or increases in their capital;
3. any opening and closing down of branches in the country, and the temporary suspension of their bank operations;
4. any interruption of a certain type of bank transactions;
5. (amended; State Gazette, issue 54 of 1999) any big exposure under Article 29;
6. any amendments made to the Articles of Association and other internal regulatory acts of the bank;
7. any loans made under Article 47;
8. examiners appointed under Article 61.

(2) Should a bank become insolvent, the persons who manage and represent it shall forthwith notify the central bank of this circumstance.

(3) Any changes in the membership of the managing board (the board of directors), appointments of other officials determined by the central bank, as well as any amendments to the Articles of Association, shall not be acted upon without the prior approval of the central bank. The approval shall be deemed to have been given if the central bank has not made an objection within ten days from notification thereof.

Article 58. (1) Banks shall submit to the central bank copies of their Articles of Association, regulations, instructions, and other documents containing provisions regarding the scope and procedures for conducting transactions, the capital and the internal organization of the bank, within 7 days following their adoption, or after amending or supplementing them.

(2) Banks shall maintain with the central bank a certified and updated list of their employees, including those at their branches and representative offices who are authorized to manage and represent them, accompanied by a description of their powers and specimens of their signatures.

Chapter Eleven

Internal Controls, Accounting, and Annual Accounts

Article 59. (1) A bank shall establish a specialized internal control office, and its management shall be appointed and dismissed by the Shareholders' General Meeting.

(2) The management of the internal controls office shall forthwith inform the central bank of any violations found out in the bank's governance, which have resulted, or may result in material losses to the bank.

(3) Banks shall adopt rules for the organization of their internal control function in compliance with a regulation of the central bank.

Article 60. (1) (amended; State Gazette, issue 21 of 1998) Banks shall keep their books and prepare their financial reports based on the Law on the Accountancy, National Accounting Standards and National Chart of Accounts, and in compliance with the requirements of the central bank established by a regulation.

(2) Banks, bank groups and financial holding companies shall submit to the central bank financial reports, which reflect their financial position both individually and on a consolidated basis.

Article 61. (1) The managing board (the board of directors) of each bank shall ensure that the books are closed each year.

(2) The annual accounting report of each bank shall be verified and certified by an auditing enterprise headquartered in this country and included in a list approved by the central bank. Decisions on the inclusion in or removal from the said list shall not be subject to court appeal.

(3) Auditors who have a material interest in a bank, apart from those of depositors, or who are employees or representatives of the bank, shall not be appointed as auditors of the bank.

(4) In their report, the auditors shall render an opinion whether the bank's property and financial position, and its financial result have been truly prepared, as well as whether the reports submitted to the central bank are true.

(5) Auditors shall:

1. assist the bank in keeping proper accounting;
2. review and monitor the performance of the specialized internal control bodies, and make recommendations for the improvement of their operation;
3. inform forthwith the central bank about any circumstances which may put the bank's activity at risk.

(6) The result of the final audit of the annual accounting report shall be presented in a separate report in a format determined by the central bank. It shall be submitted to the managing bodies

and to the management of the specialized internal control office of the bank elected in conformity with the Articles of Association, as well as to the central bank and to the Minister of Finance.

Chapter Twelve **Banking Supervision**

Article 62. (1) The central bank shall supervise the activities of the banks, as well as the activities of the branches of foreign banks in this country. It may require any accounting and other documents, as well as any information on their activities be submitted, and may conduct on-site inspections effected by officers and other persons authorized by it.

(2) (amended; State Gazette, issue 54 of 1999) The central bank and the persons authorized by it shall not be liable for any damages caused in exercising their supervisory functions, unless they have acted deliberately.

(3) Enterprises which may be assumed to be, under the circumstances, conducting bank operations without a permit, shall submit, upon demand from the central bank, the required information and documents. For that purpose, the authorized persons may make on-site inspections.

(4) (new; State Gazette, issue 54 of 1999) In exercising its supervisory functions, the central bank may conclude bilateral agreements with other central banks or foreign supervising agencies on exchange of information on reciprocal basis and commitment to keep bank secrecy.

Article 63. Government authorities and officials shall cooperate, within their powers, with the banking supervisory bodies in the performance of their functions.

Article 64. (1) (former wording of Article 64; State Gazette, issue 54 of 1999) When conducting on-site inspections, the banking supervisory bodies shall have the right to:

1. free access to the premises of persons conducting bank activity;
2. demand documents and collect information pertaining to the execution of the task assigned;
3. appoint experts;
4. conduct counter-inspections in other bank and nonbank enterprises on issues related to the inspection;
5. apply to a court of law to distrain or garnish the property of persons who have inflicted damages;
6. attend the meetings of the managing and controlling bodies of banks.

(2) (new; State Gazette, issue 54 of 1999) Inspections under para. 1, item 4 connected with money laundering prevention and detection may be conducted jointly with the Financial Intelligence Service at the Ministry of Finance.

Article 65. (1) (amended; State Gazette, issue 54 of 1999) The central bank may take the actions or impose the penalties under para. 2 of this Article, with respect to a bank upon ascertainment that the bank or any of its administrators or shareholders holding more than ten percent of its voting shares is guilty of an infraction consisting of:

1. a violation of the provisions of this Law or legislative and other acts and prescriptions of the central bank;
2. a breach of a fiduciary duty;
3. a conclusion of bank transactions that affect the bank's financial stability;
4. a violation of any written commitments of the bank to the central bank on remedial measures;

5. effecting any transactions or actions in violation of the bank license granted to the bank or any other authorization of the central bank;
6. (new; State Gazette, issue 54 of 1999) prevention of exercising banking supervision;
7. (new; State Gazette, issue 54 of 1999) threatening depositors' interests;
8. (new; State Gazette, issue 54 of 1999) effecting any transactions or operations representing money laundering or in violation of the Law on the Measures against Money Laundering and the acts on its enactment.

(2) In the cases under para. 1, the central bank may:

1. issue a written warning to the bank;
2. convene a Shareholders' General Meeting or call a session of the managing and supervisory boards (the board of directors) for making decisions on the measures to be taken;
3. issue written orders to cease and eliminate such infractions and to undertake remedial actions;
4. impose on the bank more stringent prudential requirements than the ones imposed on it in normal operation;
5. issue written orders for the bank to take action for changing interest rates, maturity structure, and other terms and conditions relating to the bank's operations, including attracted deposits and off-balance sheet commitments;
6. (amended; State Gazette, issue 54 of 1999) limit the bank's activity by prohibiting it to conduct certain transactions, actions or operations;
7. force the bank by a written notification to increase its capital;
8. disallow payment of dividends or distribution of capital in any form whatsoever;
9. (amended; State Gazette, issue 54 of 1999) appoint a consultant to the bank who may attend the meetings of the managing and supervisory boards (board of directors);
10. appoint an external auditor of the bank who shall perform a financial or other type of audit in compliance with requirements specified by the central bank. The expenses on the audit shall be for the audited bank's account;
11. issue written orders for the bank to dismiss one or more individuals authorized to manage and represent the bank;
12. issue written orders to a shareholder holding a qualified equity in the bank to transfer shares held by him within 30 days.
13. attach additional requirements to the permit of the bank to carry out bank activity;
14. appoint two or more conservators to the bank for a specified period of time;
15. revoke the bank's license for the conduct of bank activity or any other authorization granted by the central bank. By the act of revocation of the license, the central bank shall mandatorily appoint conservators, if such have not been appointed prior to the issuance of this act.

(3) In cases of enforced administrative measures under para. 2, the provisions of Article 7, para. 2 and Article 11, para. 1 of the Administrative Procedure Law, regarding clarifications and objections of interested parties, shall not apply.

(4) Acts on enforcement of measures under para. 2 shall come immediately into effect and shall not be subject to court appeal.

(5) The Court, at the request of the central bank, shall enter in the Commercial Register the circumstances under para. 2 that are subject to entering and shall publish them in the State Gazette.

(6) (new; State Gazette, issue 54 of 1999) If the measure under para. 2, item 12 has not been duly taken, the shareholder may not exercise his voting power before the shares' transfer.

Article 66. The officials who have extended credits in violation of Articles 29 and 47, shall be liable for the extended funds jointly with the borrower.

Article 67. (amended; State Gazette, issue 54 of 1999) For issuing permissions, documents, as well as for administrative services rendered in relation to exercising banking supervision, banks and other persons shall pay to the central bank charges in amounts and under the procedure as determined by the Managing Board of the central bank.

Chapter Thirteen

Conservator

Article 68. (1) The conservator shall be a physical person.

(2) The conservator shall meet the requirements specified in Article 9, para. 1, and:

1. he may not be a sole proprietor or member of an executive or controlling body or a general partner in a company or cooperative if bankruptcy proceedings have been initiated or if the bankruptcy proceedings have been terminated and creditors have remained unsatisfied;
2. he may not be an insolvent debtor with unrecovered rights;
3. he may not be a spouse or a relative of direct or lateral lineage up to the sixth degree or connected by marriage up to the third degree to a member of a managing body of the bank, whose powers have been revoked by the act of the conservator's appointment;
4. he may not have relations with the bank, or with any of its debtors, which cause reasonable suspicions with regard to his impartiality.

(3) Appointed conservators shall make unanimous decisions and exercise their powers jointly, unless otherwise provided for by the central bank.

(4) The conservator shall declare in writing to the central bank the circumstances under para. 2. He shall forthwith notify the central bank of any changes in these circumstances.

Article 69. (1) Conservators shall be appointed and dismissed by the central bank.

(2) (amended; State Gazette, issue 54 of 1999) Except in the cases under para. 3, the term for a bank to be managed by conservators shall not exceed six months in total. Provided within this time the license of the bank has not been revoked, with the expiry of this period, the conservators' powers shall be terminated and the powers of all the bank's bodies shall be restored.

(3) If the central bank has revoked the license of a bank, conservators' powers shall be terminated after the appointment of a liquidator, respectively a trustee in bankruptcy by the Court.

(4) The central bank may, at any time, terminate the powers of a conservator and appoint another in his stead. The act shall not be subject to appeal.

Article 70. Upon issuance of the act for the appointment of a conservator, the central bank shall forward it to the respective bank and shall publish statement to this effect in at least one central daily newspaper.

Article 71. (1) Upon the appointment of the conservators, all powers of the supervisory and managing boards of the bank, respectively the board of directors, shall be terminated, and shall be

exercised by the conservators in so far as no limitations have been specified in the act of their appointment.

(2) (amended; State Gazette, issue 54 of 1999) During the tenure of the conservators, the shareholders' general meeting may be convened only by the conservators and may take decisions only on issues on the agenda announced by them. Under the provisions of Articles 75 and 75a conservators shall exercise the powers of the shareholders' general meeting.

(3) The central bank may issue mandatory prescriptions for the conservators in relation to their activity.

(4) Conservators may delegate some of their powers to other trustworthy persons, including administrators whose powers have been terminated.

(5) Conservators shall be accountable for their activity only to the central bank, and shall forthwith submit upon request a report on their performance.

(6) Any actions and transactions on behalf and for the account of the bank done without the prior authorization of the conservators shall be null and void.

Article 72. (1) Conservators shall have unrestricted access to and control over the offices, books of accounts and other records of the bank, as well as over the bank's property and subsidiaries.

(2) At the request of the conservators, the Public Prosecutor's Office and bodies of the Ministry of Internal Affairs shall assist the conservators in exercising their powers under para. 1.

(3) Forthwith upon their appointment, the conservators shall secure the assets of the bank by taking at least the following actions:

1. changing the rules for external access to the bank's buildings and offices which contain property, documentation, information, equipment, etc. the access to which may impair property rights of the bank, including by changing the locks and limiting the number of individuals allowed access to them;
2. changing or creating new passwords to the bank's computers and granting access only to a limited number of trustworthy employees;
3. issuing new passes for entrance of authorized employees to the bank's premises and controlling the access of other employees to those premises;
4. cancelling the authorization of all persons who were entitled to make payments or transfers or take any action on behalf and for the account of the bank, and authorizing a limited number of trustworthy employees, and notifying the appropriate third parties thereof;
5. informing correspondent banks, registrars and agents of securities, and persons managing assets for the account of the bank that all authorizations granted by the bank before the conservator's appointment are cancelled, and that authorizations shall be granted to a limited number of persons whose names and powers will be notified further;
6. suspending the payment of dividends or other form of capital distribution to shareholders and any payments to administrators, with the exception of remuneration for services rendered by them to the bank at the conservators' request.

Article 73. Within two days after their appointment, the conservators shall send to any branch of the bank and its subsidiaries a verified copy of the central bank's act concerning their appointment, and shall notify the correspondent banks about the central bank's act if this is required for the performance of their functions.

Article 74. (repealed; State Gazette, issue 54 of 1999).

Article 75. (1) (amended; State Gazette, issue 52 of 1998; amended; State Gazette, issue 54 of 1999) In case the license of the bank has not been revoked, conservators are empowered to take decisions on a bank restructuring by a takeover or merger with another bank upon approval by the central bank at submission of a permit by the Commission on Protection of Competition, where its issuance is obligatory.

(2) The central bank shall give the approval under para. 1, only if it decides that the restructuring shall not affect the capital adequacy, liquidity and other requisites for performing bank activity under this Law and the regulations on its enactment of the acquiring or newly incorporated bank, and that all liabilities of the bank managed by the conservators shall be assumed in the process of restructuring.

Article 75a. (new; State Gazette, issue 54 of 1999) (1) If the license of a bank, which does not meet the requirements under Article 23, has not been revoked, conservators, upon approval by the central bank, may take a decision to increase the capital through issuing new shares which shall be offered to the shareholders. Contributions up to the amount of the issued value shall be deposited in whole within the term fixed by the conservators.

(2) Unsubscribed shares and the shares for which no contribution payments have been made under para. 1 shall be offered by the conservators to other persons.

Article 76. (1) (amended; State Gazette, issue 54 of 1999) The conservator shall exercise his powers with the diligence of responsible stewardship. He shall be responsible only for damages caused by his premeditated actions.

(2) All employees of the bank shall assist the conservator in exercising his powers.

Article 77. The conservator shall receive for his work a remuneration for the account of the bank, which amount shall be set by the central bank.

Chapter Fourteen **Forced Liquidation**

Article 78. (1) Forced liquidation proceedings shall be instituted for any bank whose license to carry out bank activity has been revoked by the central bank pursuant to Article 21, para. 1.

(2) The proceedings shall be instituted by the District Court where the banks' head office is domiciled on a petition by the central bank. The petition shall state only the grounds listed in Article 21, para. 1 for revoking the bank's license and shall be accompanied by a verified copy of the act of the central bank.

(3) (amended; State Gazette, issue 54 of 1999) If the petition meets the requirements under para. 2, the Court shall institute liquidation proceedings and appoint a liquidator(s) from the list under Article 84.

(4) In so far as it has not been otherwise provided for by this Law, liquidation shall be effected pursuant to the Law on Commerce.

(5) A bank under a forced liquidation procedure may be sold as an enterprise or taken over by another bank only with the permission of the central bank. The central bank shall give this

permission only if the total amount of the bank's liabilities is assumed by the acquiring or taking over bank, and if it considers that the circumstances under Article 75, para. 2 exist.

(6) (new; State Gazette, issue 52 of 1998) A permit for a takeover under Article 5 shall be issued upon submission of a permit by the Commission on Protection of Competition, where its issuance is obligatory.

Chapter Fifteen

Bankruptcy

Article 79. (1) Bankruptcy proceedings against a bank shall be instituted when the central bank has revoked its license for carrying out bank activity pursuant to Article 21, para. 2.

(2) Only the central bank may petition the Court to institute bankruptcy proceedings against a bank.

(3) The petition of the central bank shall state only the grounds under Article 21, para. 2 for revoking the bank's license. Attached to it there shall be a verified copy of the act of the central bank to that effect.

Article 80. The Court shall institute the proceedings on the date of receipt of the central bank's petition and shall schedule a hearing no later than ten days from the institution thereof.

Article 81. The Court shall consider the petition in the presence of a Public Prosecutor at a court sitting in camera at which the central bank and the bank are summoned.

Article 82. Provided the petition of the central bank meets the requirements under Article 79, para. 3 in connection with Article 21, para. 2, by its ruling the Court shall:

1. announce the bank's insolvency and set the initial date thereof;
2. institute bankruptcy proceedings;
3. declare the bank bankrupt;
4. terminate the powers of the bank's managing bodies;
5. impose a general injunction and a distraint;
6. deprive the bank of its right to manage and dispose of its property included in the mass of bankruptcy;
7. decree commencement of cashing down of the property included in the mass of bankruptcy and the distribution of encashed property;
8. appoint an assignee(s) in bankruptcy.

Article 83. From the date of the ruling under Article 82:

1. all prescriptive and preclusive terms relating to the bank's rights shall be suspended for 6 months;
2. all unsecured credits extended by the bank shall become payable.

Article 84. (1) (amended; State Gazette, issue 54 of 1999) The Court shall appoint an assignee in bankruptcy from the list of assignees in bankruptcy at the central bank. In this case the requirement of Article 655, para. 2, item 7 of the Law on Commerce shall not apply.

(2) The Court shall dismiss an assignee in bankruptcy of a bank, if the central bank has removed him from the list under para. 1.

(3) (amended; State Gazette, issue 84 of 2000) The assignee in bankruptcy shall have the powers provided for by Article 658, para. 1, items 1 and 2, items 4 – 10, and items 13 – 15 of the Law on

Commerce. He may terminate by a 60-day notice any contract whereunder the bank is a leaseholder of real property, regardless of the contractual period, without owing any compensation for termination thereof.

(4) (amended; State Gazette, issue 54 of 1999) The assignee in bankruptcy shall submit reports on his activity to the Court and to the central bank monthly, or upon request, immediately. The central bank may make on-site inspections on the accuracy of the reports.

(5) (new; State Gazette, issue 54 of 1999) A person who is temporary assignee in bankruptcy or assignee in bankruptcy of another trader shall not be an assignee in bankruptcy of a bank. The said circumstance shall be ascertained by a declaration as submitted by the assignee in bankruptcy upon his appointment by Court.

Article 85. (1) Within 1 month from the publication of the ruling under Article 82, the assignee in bankruptcy shall send by registered mail, at the address shown in the bank's records, a notification to holders of bank safes or bailors to the bank, informing them of the nature and the amount of their receivables as shown in the bank's records. In case of a changed address of which the bank has not been duly informed, the notification shall be deemed delivered.

(2) (amended; State Gazette, issue 54 of 1999) The notification under para. 1 shall specify the term within which holders of bank safes and bailors may receive their property either in person or through a person authorized by them. The term for the withdrawal of property shall not exceed 90 days from the receipt of notification.

(3) Any bank safe that has not been emptied within the specified term shall be opened by the assignee in bankruptcy in the presence of a notary. An inventory of the contents of the bank safe shall be made, duly signed by the assignee in bankruptcy, the notary, and other persons present.

(4) (amended; State Gazette, issue 54 of 1999) The items of property found in the cases under para. 3, as well as other items of property held by the bank, which have not been received in the specified time, shall be kept by the assignee in bankruptcy until completion of bankruptcy proceedings.

(5) (amended; State Gazette, issue 54 of 1999) Items of property unclaimed until completion of bankruptcy proceedings shall be deposited with the central bank upon inventory together with accompanying documents thereof. Upon the lapse of 5 years from delivery thereof said items shall become state property.

Article 86. (1) Creditors shall lodge in their claims to the assignee in bankruptcy within one month from the publication of the decision under Article 82.

(2) The claims of the depositors of the bank shall be considered as lodged in. This will not preclude their right to lodge in their claims to the assignee in bankruptcy within the period under para. 1.

Article 87. (1) Within 1 month after expiry of the term under Article 86, para. 1, the assignee in bankruptcy shall:

1. prepare a list of the claims approved by him, specifying the grounds for and amount of each claim, the type and amount of security, as well as the priority class of the claim under this Law;
2. announce in the State Gazette and publish at least twice in one or more central daily newspapers a notice of the place where the list referred to in item 1 will be available for inspection within 14 days from the publication of the notice.

(2) Within 14 days after expiry of the term under para. 1, item 2, any depositor, other creditor or one or more shareholders of the bank holding in total not less than 25 percent of all voting shares may raise an objection in writing against the list under para. 1, item 1 with the assignee in bankruptcy.

(3) (new; State Gazette, issue 54 of 1999) The assignee in bankruptcy shall adjudicate on the objections within the term and according to the procedure of Article 690, paras. 2 and 3 of the Law on Commerce and shall notify the persons under para. 2.

(4) (new; State Gazette, issue 54 of 1999; amended, issue 84 of 2000) Within 7 days after the notification, any person who has raised an objection under para. 2 may appeal in Court the assignee in bankruptcy's adjudication under para. 3 only for the claim for which the objection has been raised. The objection shall be lodged through the assignee in bankruptcy who shall, within 3 days, submit to the Court a list of accepted, challenged and unaccepted claims, as well as the claims appealed in Court together with objections raised thereof. The Court shall examine such objection within 1 month in a public session where the assignee in bankruptcy, the creditor with the challenged claim and the creditor raising the objection are summoned.

(5) (new; State Gazette, issue 54 of 1999; amended, issue 84 of 2000) The Court shall examine and approve the list of accepted claims whereunder no objections have been raised in a session held in camera.

(6) (new; State Gazette, issue 54 of 1999; amended, issue 84 of 2000) Claims included in the list by virtue of a Court ruling on the appeal as lodged under para. 4, shall be deemed accepted in the bankruptcy proceedings upon entry into force of the said ruling.

(7) (new; State Gazette, issue 54 of 1999) Additionally lodged in claims shall be included in the list of accepted claims in the bankruptcy proceedings upon a Court approval.

Article 87a. (new; State Gazette, issue 54 of 1999) (1) Where the bankrupt bank has acted as a financial intermediary or a commissioner under government or government guaranteed loans made from financial institutions or foreign countries, the state, represented by the Minister of Finance, subrogates itself as the only and direct creditor in respect of the final borrowers.

(2) Claims against final borrowers under para. 1 and the rights and securities related thereto shall not be included in the mass of bankruptcy and shall pass into full disposition with the Minister of Finance.

Article 87b. (new; State Gazette, issue 24 of 2000) (1) Upon the institution of bankruptcy proceedings against a commercial bank which is an intermediary under the service of loans made by the Agriculture State Fund, the latter shall be subrogated as only and direct creditor in respect of the final borrowers.

(2) Funds which shall not be included in the mass of bankruptcy and shall be transferred to the Agriculture State Fund are as follows:

1. funds from Agriculture State Fund transferred to the commercial bank's account and earmarked for farm tending;
2. funds from final borrowers transferred to the commercial bank account and earmarked for servicing loans extended with the funds of Agriculture State Fund.

Article 88. (1) (amended; State Gazette, issue 54 of 1999) The following actions and transactions effected by the bank may be invalidated by Court in relation to the

mass of bankruptcy:

1. (amended; State Gazette, issue 54 of 1999) a gratuitous transaction effected in a three-year period prior to the date of the insolvency;
2. (amended; State Gazette, issue 54 of 1999) a gratuitous transaction made within five years prior to the date of the insolvency in favor of administrators or shareholders of the bank, as well as persons related thereto;
3. a transaction effected or an action performed within five years prior to the date of the insolvency, with the intention to impair the interests of the bank's creditors;
4. a repayment of a monetary liability through the transfer of property made within 6 months prior to the date of insolvency, should the return result in increasing the amount that the creditors would receive from the distribution of the encashed property of the bank;
5. a transaction effected within a two-year period prior to date of insolvency, which is detrimental to the creditors, where a person economically related to the bank, an administrator or a shareholder thereof, or their spouses, relatives of direct or lateral lineage up to the sixth degree inclusive, respectively persons economically related to them, is a party thereto.
6. a transaction involving payment, where what was paid considerably exceeds in value what was received, effected within a two-year period prior to the date of insolvency;
7. setting up of a collateral, mortgage or other security, effected within a one year period prior to the date of insolvency in favor of an unsecured up to that moment claim on the bank.

(2) (new; State Gazette, issue 54 of 1999) Actions and transactions under para. 1, effected by the bank after the date of the insolvency but before the date of the decision under Article 82, may be further invalidated by Court in relation to the creditors in bankruptcy.

(3) (former para. 2; amended, State Gazette, issue 54 of 1999) Claims under paras. 1 and 2 may furthermore be brought by the central bank.

(4) (new; State Gazette, issue 54 of 1999) Suits brought under paras. 1 – 3 shall be exempted from taxation.

Article 89. The bankruptcy proceedings do not require the convocation of a meeting of creditors.

Article 89a. (new; State Gazette, issue 54 of 1999) (1) The Deposit Insurance Fund may control whether the bank's property is properly managed by the assignee in bankruptcy and to check sales ledgers and cash availabilities. Should any violations be found, the Chairman of the Managing Board of the Fund may table proposals to the central bank or to the Court. He may lodge in claims under Article 88, para. 1.

(2) Control under para. 1 may furthermore be exercised by the central bank.

Article 90. (1) (amended; State Gazette, issue 70 of 1998 and issue 84 of 2000) The Court ruling under Article 692, para. 3 may be appealed before a Court of Second Instance and a Court of Cassation. In this case Article 694 of the Law on Commerce shall not apply.

(2) (amended; State Gazette, issue 84 of 2000) A person who has made an appeal in Court against the assignee in bankruptcy's adjudication under Article 87, para. 3, shall have the right to appeal only for the claim which has been challenged, as well as the persons under Article 87, para. 4, third sentence.

(3) (amended; State Gazette, issue 84 of 2000) Appeals may be lodged in within 7 days starting from the moment of publishing the communication under Article 692, para. 4 of the Law on Commerce.

(4) Should the appeal be rejected, expenses are borne by the appellant, and if the appellant is the bank, the expenses are for the account of the mass of bankruptcy.

(5) (amended; State Gazette, issue 70 of 1998 and issue 84 of 2000) The Court ruling under Article 692, para. 1 shall not be subject to appeal.

(6) (amended; State Gazette, issue 70 of 1998 and issue 84 of 2000) The enforced Court ruling under Article 692, paras. 1 and 3 of the Law on Commerce has an establishing effect in respect of the debtor, the assignee in bankruptcy, and all bankruptcy creditors.

(7) (repealed; State Gazette, issue 70 of 1998)

Article 91. No rehabilitation program may be proposed in bankruptcy proceedings for a bank.

Article 92. (1) (former wording of Article 92; State Gazette, issue 54 of 1999) Encashment of property is effected by the assignee in bankruptcy.

(2) (new; State Gazette, issue 54 of 1999) Assignees in bankruptcy shall deposit on a special lev account collected money on claims, and amounts in foreign currencies shall be deposited on special accounts in the respective currency, opened with commercial banks entitled to perform cash service of the state budget. Banks in bankruptcy may have only one such account from the said types of accounts.

Article 93. (1) At the request of the assignee in bankruptcy or the central bank, the Court may allow the sale of the bank as an enterprise through direct negotiation or through an intermediary with no compliance to the provision of Article 718, para. 1 of the Law on Commerce.

(2) For the purpose of selling the bank as an enterprise, the assignee in bankruptcy may reduce the amount of the bank's liabilities, if this shall not place its creditors in a more unfavorable position than they would be by distributing the encashed property pursuant to law.

(3) The Court shall approve the transaction upon receipt of the written statement of opinion by the central bank. Any such statement must be delivered no later than 30 days after being requested.

(4) The Court shall check whether the transaction does not contravene the law, and whether said transaction is not prejudicial to the interests of the bank's creditors as per para. 2.

(5) Transfer of property before final payment of the price is not allowed.

Article 94. (amended; State Gazette, issue 54 of 1999) (1) The enterprise of the bank in bankruptcy may be sold solely to another bank licensed to conduct bank transactions domestically.

(2) The sale is furthermore permissible where the joint-stock company is incorporated for the said purpose, provided the company is granted a conditional bank license by the central bank. In this case, the Court shall authorize the sale as soon as the license is granted.

(3) Should the company under para. 2 meet the requirements, the central bank shall issue a conditional bank license entitling the company to conduct bank transactions, after the sale has been made. The license is granted provided the applicant has the capital enabling him to conduct

bank transactions in compliance with established requirements, after he has settled all creditor claims under the sale contract.

(4) The buyer is responsible only for the obligations assumed under the Court approved terms of sale. Any remaining claims and nonexercised rights shall be re-deemed.

(5) The rights to shares in the bank in bankruptcy shall be redeemed save for the liquidation share, provided the buyer has assumed responsibility for its redemption under the sale contract.

(6) Creditor claims shall be settled by opening demand deposit accounts with the buyer's bank with balances equal to the obligation assumed by the buyer. This operation shall be effected within one month from Court approval. The buyer and creditors may furthermore negotiate other ways of settling claims thereof.

(7) Should it be found that the buyer has not fulfilled his obligations under para. 6, the central bank shall revoke the license.

(8) The court shall end the bankruptcy proceedings after the sale has been made.

(9) Court acts on this and the previous Article are not subject to appeal.

Article 94a. (new; State Gazette, issue 54 of 1999; amended, State Gazette, issue 84 of 2000) Assignees in bankruptcy shall proceed with the encashment of the bank's property pursuant to Article 717 of the Law on Commerce, should said assignees in bankruptcy fail to sell the bank as an enterprise within a six-month term after entry into force of the Court ruling under Article 692 of the Law on Commerce, or should they deem that the creditors' interests would thus be better protected.

Article 95. (1) Distribution of the encashed property is effected in the following order of priority of claims:

1. (amended; State Gazette, issue 70 of 1998) claims secured by a collateral or mortgage – from the value of the pledged or mortgaged item of property;
2. claims involving foreclosure – from the value of the foreclosed property;
3. bankruptcy costs;
4. claims in respect whereof the deposit insurance fund has subrogated itself;
5. claims of depositors uncovered by the Deposit Insurance System;
6. claims of banks;
7. current social insurance contributions which came due within a one-year period prior to the date of the resolution for the institution of bankruptcy proceedings;
8. current public payments due to the State and municipalities, such as taxes, customs duties, charges, etc., and payments which arose within a one-year period prior to the date of the resolution for the institution of bankruptcy proceedings;
9. all other claims.

(2) (new; State Gazette, issue 54 of 1999) Assignees in bankruptcy shall proceed with the distribution should an amount exceeding 10 percent of the total amount of claims of the relevant class of creditors be augmented in the mass of bankruptcy.

(3) (former para. 2; State Gazette, issue 54 of 1999) Any remaining property, after creditors' claims have been satisfied, shall be distributed among shareholders according to the rights to the shares they own.

Article 96. (1) The bankruptcy proceedings shall be completed with a court ruling after the property of the bank has been distributed.

(2) By its ruling under para. 1, the Court shall rule that the bank is removed from the Commercial Register.

Article 97. To the extent not covered by any specific provisions of this Chapter, the provisions of Part Four of the Law on Commerce shall apply.

Chapter Sixteen

Voluntary Liquidation

Article 98. (1) A voluntary liquidation of a bank shall be effected by a decision of the Shareholder' General Meeting, after the prior permission of the central bank. Such permission shall be granted only if the central bank ascertains that the bank is solvent and possesses sufficient liquid assets to pay, without deferral, its commitments to depositors and other creditors.

(2) Should the liquidator find out in the process of liquidation that the bank is insolvent, he shall move to the central bank to file a petition in bankruptcy with the Court for the institution of bankruptcy proceedings. The liquidator shall enclose documents certifying the bank's position.

(3) The provisions of para. 2 are furthermore applicable in the cases of forced liquidation.

(4) Provisions of Chapter Seventeen of the Law on Commerce shall apply to the cases not provided for by this Article.

Chapter Seventeen

Administrative Penalty Provisions

Article 99. (1) (amended; State Gazette, issue 54 of 1999) Whoever commits or permits the commitment of a violation of this Law and the regulatory acts governing its enforcement, shall be subject to a fine amounting to BGL 370,000 but not exceeding BGL 2,200,000, if the act does not constitute a crime.

(2) Whoever makes public any false information or circumstances of a bank, which may be detrimental to the reputation and credibility of the bank, shall be sanctioned by a fine of up to BGL 5 million, if the act does not constitute a crime.

(3) If the provision of para. 2 is violated by a mass media, the fine shall be from BGL 5 million to BGL 20 million.

(4) In the cases of para. 1 the legal person involved shall be sanctioned by a financial penalty from BGL 20 million to BGL 100 million, and in the cases of para. 3 from BGL 50 million to BGL 200 million.

Article 100. (1) The statement of violations detected under Article 99 shall be prepared by the persons authorized by the Deputy Governor heading the Banking Supervision Department, and

the penalty enactments shall be issued by him or by an official authorized by the said Deputy Governor.

(2) The preparation of the statements and the issuance, appeal and enforcement of the penalty enactments shall be subject to the terms and the procedure of the Administrative Misdemeanors and Penalties Law.

Chapter Eighteen

Issuance of and Appeal against Administrative Enactments

Article 101. (1) Individual administrative enactments under Articles 11, 16, 21 and 65, para. 2, item 15 shall be issued by the Governor of the central bank on a motion by the Deputy Governor heading the Banking Supervision Department, and in all other cases by the said Deputy Governor or an official authorized by him.

(2) Apart from the cases provided for by this Law, administrative enactments described under para. 1 may be appealed before the Supreme Administrative Court concerning their legality, pursuant to the terms and procedures of the Administrative Procedure Law. The Court may not discontinue the execution of the enactment until it comes out with a ruling on the appeal.

Additional Provisions

§ 1. Within the meaning of this Law:

1. 'administrator' is:

- a) a member of a supervisory or managing board (board of directors) of a bank;
- b) an official with managing functions in the bank;
- c) any other person that can jointly or severally conclude transactions for the account of the bank.

2. 'deposit' is any amount received with the commitment to be repaid, except if granted as:

- a) a loan from a bank;
- b) liquidated damages recoverable or guarantee for participation in an auction providing for the execution of a commercial or other transaction.
- c) an advance payment under a contract for a sale or a service, or another activity, which is subject to return in case of default on the contract;
- d) for other purposes in cases as specified by the central bank.

3. (amended; State Gazette, issue 54 of 1999) 'Related persons' include:

- a) spouses, lineal relatives up to any degree and collateral relatives up to the fourth degree of consanguinity, and relatives by marriage up to the third degree of affinity inclusive.
- b) an employer and employee;
- c) partners;
- d) persons where one of them participates in the management of the other person's company or subsidiary;
- e) persons, where one and the same legal or physical person is a member of their managing or controlling body, including the case when the physical person is a legal entity;
- f) a company or a person who holds more than five percent of a company's voting shares;
- g) persons whose activity is controlled by a third person or its subsidiary;
- h) persons who jointly control a third person or its subsidiary;
- i) persons where one of them is the other person's commercial representative;
- j) persons where one of them has made a donation to the other person.

- 3a. (new; State Gazette, issue 54 of 1999) control within the meaning of item 3, letters g and h is available where the controlling person:
- a) holds more than 50 percent of the votes in another person's general meeting, including through a subsidiary, or
 - b) may determine more than 50 percent of the members of another person's managing body, or
 - c) may manage another person's activity.
4. 'qualified equity' is an interest of a person in a company which:
- a) exceeds 10 percent of the company's capital;
 - b) ensures control over decision-making, prevents decision-making or allows this person to determine more than half of the members of a managing body of the company, or allows for the exercise of substantial influence on the management of the enterprise.
5. 'publicly accepted deposits' shall mean the acceptance of deposits of more than 30 persons other than banks.
6. 'distribution of capital' shall mean providing money or other property of the bank to its shareholders with the exception of providing new shares resulting from an increase of the capital by transformation of profit into capital.
7. 'specialized auditing enterprise' is an unlimited partnership, limited company or private limited company headquartered in Bulgaria, with at least two partners:
- a) certified public accountants under Article 51 of the Law on the Accountancy;
 - b) certified public accountants under Article 51 of the Law on the Accountancy and foreign persons authorized to examine and verify accounting reports as per their national legislation.

§ 2. If not otherwise provided for by this Law, the central bank's functions relating to the supervision of the banking system shall be carried out individually and independently by the Deputy Governor heading the Banking Supervision Department, or by officials authorized by him.

§ 2a. (new; State Gazette, issue 54 of 1999) Organization and control providing for the security of banks and nonbank financial institutions shall be established by a Regulation of the Minister of Internal Affairs and the Managing Board of the BNB.

Transitional and Final Provisions

§ 3. This Law shall repeal the Law on Banks and Credit Activity (published in the State Gazette, issue 25 of 1992; amended in issue 62 of 1992 – Decision No. 8 of the Constitutional Court of 1992, amended in issues 59 and 109 of 1993, issue 63 of 1994, issue 63 of 1995, issues 12, 42, 90 and 100 of 1996).

§ 4. Banks shall bring their Articles of Association and activities in compliance with the provisions of this Law within 6 months of its enforcement, and as regards the provisions of Article 6 by 31 December 1997.

§ 5. Banks' annual accounting reports for 1997 shall be certified by an international auditor.

§ 6. In distributing encashed property, the claims of creditors who have extended loans to banks after the banks have been placed under conservatorship, pursuant to the repealed Law on Banks and Credit Activity, as well as claims of the government for which it has subrogated itself pursuant to the Law on State Protection of Deposits and Accounts with Commercial Banks in respect whereof the BNB Has Petitioned the Institution of Bankruptcy Proceedings, shall be repaid after covering bankruptcy costs.

§ 7. (1) After the enforcement of this Law, persons which are not banks and have carried out bank transactions under Article 1, para. 4 of the repealed Law on Banks and Credit Activity with the permission of the Bulgarian National Bank, shall discontinue conducting:

1. noncash transactions in foreign instruments of payments, unless a new permit is obtained under a procedure established by law or another legislative act;
2. discount and guaranty transactions;
3. government securities transactions for other persons' account, provided these transactions are not registered by the Commission on Government Securities and Stock Exchanges as of the date of enforcement of this Law.

(2) (amended; State Gazette, issue 54 of 1999) Persons which prior to the enforcement of this Law have been granted a permit (license) by the Bulgarian National Bank for extending loans in the course of business, without accepting other persons' money on deposit, and for effecting other transactions, shall retain their rights with the exception of transactions qualified as bank activity.

§ 8. Article 38, para. 3 of the Law on Securities, Stock Exchanges and Investment Companies (published in the State Gazette, issue 63 of 1995; amended, issues 68 and 85 of 1996) is amended as follows:

“(3) Persons under para. 1 may also conduct the transactions under Article 1, para. 5 of the Law on Banks.”

§ 9. Article 23 of the Law on the State Bank for Investments and Development (State Gazette, issue 95 of 1996) is repealed.

§ 10. The amendments to the Law on Cooperatives (published in the State Gazette, issue 63 of 1991; amended, issues 34 and 55 of 1992, issue 63 of 1994, issues 59 and 103 of 1996) are as follows:

1. Article 38 is repealed.
2. Article 39 is amended as follows:
 - a) para. 1 is amended as follows:

“(1) By a decision of the General Meeting a mutual aid fund for the members of the cooperative shall be established operating under the rules of procedure approved by the General Meeting.”;
 - b) paras. 2 and 3 are repealed.

§ 11. Article 51 of the Law on the Accountancy (published in the State Gazette, issue 4 of 1991; amended and supplemented, issue 26 of 1992, issue 55 of 1993, issues 21, 33 and 59 of 1996) is amended and supplemented as follows:

1. para. 3 is amended as follows:

“(3) The annual accounting reports of enterprises shall be verified solely by certified public accountants or specialized auditing enterprises.”
2. para. 4 is created:

“(4) Specialized auditing enterprise is an unlimited partnership, limited company or private limited company headquartered in Bulgaria, with at least two partners:

 1. certified public accountants under para. 1;
 2. certified public accountants under para. 1 and foreign persons authorized to examine and verify accounting reports of enterprises as per their national legislation.”

§ 12. The legislative acts issued by the Bulgarian National Bank on the enactment of the repealed Law on Banks and Credit Activity shall remain in force, in so far they do not contravene this Law.

§ 13. The conservatorship imposed on banks by the Bulgarian National Bank in accordance with the procedure provided for by the repealed Law on Banks and Credit Activity shall be discontinued, provided in a two-month period after the enforcement of this Law, the Bulgarian National Bank has not revoked the license for conducting bank activity.

§ 14. Pendent court proceedings initiated upon a petition of the Bulgarian National Bank to institute bankruptcy proceedings against banks shall be finalized under the procedures provided for by this Law, if the Bulgarian National Bank has revoked the license for conducting bank activity, and submitted to the Court a verified copy of the act under Article 21, para. 2 of this Law.

§ 15. Cases initiated upon the appeals against acts of the Bulgarian National Bank, which are not subject to court appeal pursuant to this Law, shall be discontinued.

§ 16. (1) Upon the entry of this Law into force, the incumbent members of a managing board or board of directors who meet the requirements of Article 9, para. 1, item 1, shall apply for a certificate within 30 days after the enforcement of the regulation under Article 9, para. 2.

(2) Members of a managing board or board of directors of a bank who do not meet the requirements of Article 9, para. 1, item 1, or who have been refused a certificate, shall be dismissed by the bank's competent body within a 30-day period – for members of a managing board, and a two-month period – for members of a board of directors after the enforcement of this Law, or from the receipt of the refusal.

§ 17. Mutual aid credit cooperatives of private farmers, established as per the agricultural capital fund scheme in compliance with the agreements for utilization of the financial grant, concluded between the government of the Republic of Bulgaria and the Commission of the European Union, may extend credits to their members under the terms and conditions of these agreements without a permit (license) issued by the central bank.

§ 18. By a resolution of the Managing Board of the Bulgarian National Bank taken for each person, the restrictive provisions of Article 9, para. 1, items 4 and 5 of this Law and Article 234, para. 2, item 1 of the Law on Commerce may not apply to:

1. members of a managing or controlling body of a bank in which the central bank holds over 50 percent of the voting shares acquired after 1 October 1995, if they have been elected by the competent body after the central bank's acquisition of the said interest, or they have not been members of the bank's managing or controlling body and have been released from liability by the Shareholders' General Meeting of the bank;
2. members of a managing or controlling body of a bank in which the State represented by the Bank Consolidation Company Ltd., Sofia, holds over 50 percent of the voting shares, if they have been elected for the first time in the said bodies after 1 January 1994 on a motion by the Bank Consolidation Company, and have been released from liability by the Shareholders' General Meeting of the bank.

§ 19. The Managing Board of the Bulgarian National Bank shall issue regulations on the enactment of Chapters One, Two, Three, Four, Six, Seven, Eight, Ten, Eleven, Twelve, Thirteen and Fifteen of this Law.

§ 20. This Law shall come into effect as of the date of its publication in the State Gazette.

Amendments

to the Law on Banks
Transitional and Final Provisions

(Published in the State Gazette, issue 54 of 1999; amended, issue 103 of 1999, issue 1 of 2000)

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§ 43. Banks shall bring their Articles of Association and activity in compliance with the provisions of this Law within six months after its entry into force.

§ 44. For the banks having registered an increase in their capital, the term under Article 19a, para 1 shall apply as of the date of the entry into force of this Law unless a shorter term is provided for by the decision thereof.

§ 45. (1) In the cases where the state has taken over the depositors' rights under the terms and according to the procedure of the repealed Law on State Protection of Deposits and Accounts with Commercial Banks in respect whereof the Bulgarian National Bank Has Petitioned the Institution of Bankruptcy Proceedings, the assignee in bankruptcy shall submit a report on his activity to the Minister of Finance monthly, and upon request, immediately.

(2) With regard to the banks in respect whereof the state has taken over the depositors' rights under the terms and according to the procedure of the repealed Law on State Protection of Deposits and Accounts with Commercial Banks in respect whereof the Bulgarian National Bank Has Petitioned the Institution of Bankruptcy Proceedings, the Minister of Finance may order financial audit to be carried out pursuant to the Law on State Financial Control.

§ 46. (1) Assignees in bankruptcy of the banks in respect whereof the state has taken over the depositors' rights under the terms and according to the procedure of the repealed Law on State Protection of Deposits and Accounts with Commercial Banks in respect whereof the Bulgarian National Bank Has Petitioned the Institution of Bankruptcy Proceedings shall, within 14 days from the entry into force of this Law, draw up accounts of collected sums into the mass of bankruptcy.

(2) If the list of accepted claims by the assignee in bankruptcy is not approved by Court, distribution and repayment of claims shall be made on the basis of the list accepted by the assignee in bankruptcy, and funds shall be allocated for the disputed claims from the relevant order of payments.

(3) Should the sums distributed under paras. 1 and 2 be insufficient to fully satisfy creditors' claims under Article 95, para. 1, item 4, and § 6 of the Transitional and Final Provisions, the assignee in bankruptcy shall offer for public sale under Articles 375 – 389 of the Civil Procedure Code the items and property rights in whole save for the following items and property rights:

1. on which pledge or mortgage as security for claims on the bank has been established or a lien has been exercised;
2. which have been publicly sold prior to the entry into force of this Law but no deed of assignment has been issued.

(4) Within 30 days after the entry into force of this Law, the central bank shall assign through a competition to specialized auditing enterprises under Article 61, para. 2 and/or licensed appraisers to make valuations and give an opinion on the possible price at which the bank's items and property rights in whole under para. 3 could be sold within a six-month term.

(5) In forming his opinion, the auditor (licensed appraiser) shall deduct from the

price all the necessary expenses on the bankruptcy, including expenses on the preparation of the opinion.

(6) Within seven days from submission of the said opinion, the assignee in bankruptcy shall offer for public sale by announcing in two central daily newspapers the items and property rights in whole under para. 3 at an initial price according to the auditor's opinion.

(7) (new; State Gazette, issue 1 of 2000) A creditor under Article 95, para. 1, items 4 – 9 declared the buyer of the items and property rights in whole may deduct from the amount due under Article 380, para. 2 of the Civil Procedure Code such portion of his claim that he would have received from the distribution of the amount obtained from the sale.

(8) (former para. 7; State Gazette, issue 1 of 2000) Under the terms of Article 382, para. 1 of the Civil Procedure Code any creditor or several creditors jointly from any order under Article 95, para. 1, items 4 – 9 may request to be declared the buyer of the items and property rights in whole in the repayment of such portion of his claim that he would have received from the distribution of the amount obtained from the value of that property.

(9) (new; State Gazette, issue 103 of 1999; former para. 8, amended; issue 1 of 2000) Government rights under para. 8 shall be exercised by the State Claims Agency and at its request of assignment, items and property rights of the bankrupt bank shall be assigned to the Agency.

(10) (former para. 8; State Gazette, issue 103 of 1999; former para. 9, issue 1 of 2000) The buyer under para. 7 has the obligations of a claimant under Article 383 of the Civil Procedure Code. He may negotiate other ways of settlement thereof with the other creditors who would receive payment from the value of the assigned property but he shall submit an agreement concluded with them within the payment term.

(11) (former para. 9; State Gazette, issue 103 of 1999; former para. 10; issue 1 of 2000) Within 30 days from the date of issue of the deed of assignment, assignees in bankruptcy shall deliver the assigned items and any documents thereof and property rights to the assignee.

(12) (former para. 10; State Gazette, issue 103 of 1999; former para. 11, issue 1 of 2000) Upon the entry into force of this Law, the assignees in bankruptcy under para. 3 shall not, save for the cases under paras. 1 – 9, sell separate items and property rights or detached parts therefrom before they have offered for sale said items and property in whole.

(13) (former para. 11, amended; State Gazette, issue 103 of 1999; former para. 12, issue 1 of 2000) If the state has acquired claims under paras. 8 – 11, these claims may be assigned to other persons as well as renegotiated by extending the term for principal repayment and/or interest repayment, principal reduction, interest reduction or other similar devices depending on the financial state of the debtor. The transfer and renegotiation of these claims shall be effected by the State Claims Agency.

§ 47. Banks and branches of foreign banks which have been licensed under the terms and according to the procedure of the repealed Law on Banks and Credit Activity shall, within three

months from the entry into force of this Law, file an application to bring their license in compliance with the Law on Banks.

§ 48. Within one month from the entry into force of this Law, assignees in bankruptcy shall deposit hitherto collected money on claims under Article 92, para. 2.

§ 49. Within one month from the entry into force of this Law, the Court shall examine the circumstances under Article 84, para. 5 and remove the assignees in bankruptcy who have not filed a declaration or do not meet prescribed requirements.