



# International Deposit Insurance Survey



Question Version: 1

Answer Version: 2

## Deposit Insurer: Bulgarian Deposit Insurance Fund

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## Bulgarian Deposit Insurance Fund

### Section 1: Background Information

#### Name of Central Bank:

Bulgarian National Bank

#### Address:

1, Alexander Battenberg Sq.  
1000 Sofia  
Bulgaria

#### Telephone:

+359-2-91-459

#### Internet Address:

<http://www.bnbank.org>

#### Contact Person:

[press\\_office@bnbank.org](mailto:press_office@bnbank.org)

#### Name of Financial Supervisor:

Bulgarian National Bank

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# Bulgarian Deposit Insurance Fund

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## Section 2: Objectives, Mandates & Powers

### 1. When and why was the DIS established (please provide details)?

The current deposit insurance system in Bulgaria was established with the Law on Bank Deposit Guaranty ("LBDG") adopted by the Parliament in April 1998. Under the provisions of the LBDG, the Deposit Insurance Fund ("DIF") was created.

Prior to the current deposit insurance system, in early 1996 the first deposit insurance scheme in Bulgaria was established. This scheme was based on the Directive 94/19/EC on deposit-guarantee schemes. Actually, the scheme failed to start normal operations due to the outbreak of the dire 1996 financial crisis. To curb the crisis, extraordinary legislation was adopted, providing for 100% repayment of deposits of individuals and 50% repayment of deposits of companies in closed banks from the state budget. This deposit insurance scheme operated until the adoption of the LBDG.

#### 1.a. What are the stated public policy objectives or mandate for your country's DIS? When was the last time they were reviewed and changed?

The Deposit Insurance Fund in Bulgaria ("DIF") was established under the Law on Bank Deposit Guaranty ("LBDG"). The DIF is a legal entity, effectively operating as of early January 1999. Its basic functions include: to determine and collect premiums from all banks, legally licensed to take deposits; to invest its assets in accordance with the provisions of the LBDG; and to repay the guaranteed amount of deposits.

The public policy objectives of the DIF derive from the LBDG. Through its activity the DIF aims at promoting stability and confidence in the banking system, thus contributing to economic growth and prosperity in Bulgaria.

#### 1.b. What process was used to determine these objectives in your country?

The DIF is a young institution and up to this moment its public policy objectives, which derive from the LBDG, has not been amended. In the event of broadening the DIF's functions, the process for the development of public policy should be undertaken by the government, the Central Bank, the DIF itself and all interested parties or safety-net players.

### 2. What is the legal basis under which the DIS was established? (Legislation, Formal Agreement, Private Contract, Other - Please explain)

Legislation

Law on Bank Deposit Guaranty ("LBDG")

### 3. Is there a formal process for a periodic review of the policy objectives/mandates of your DIS? (Yes, No, Other - Please explain)

Yes

As mentioned in the response to # 2, public policy objectives can be reviewed in the event of broadening the functions of the Deposit Insurance Fund. The formal procedure will include either amendments to the LBDG or adoption of new legislation. It is expected that under the Draft Bank Bankruptcy Law the DIF will be assigned new functions with regard to administration of bank bankruptcy.

## Bulgarian Deposit Insurance Fund

In this respect, the DIF reviews annually its policy objectives and strategies to meet its legislative mandates.

**4. What sort of system do you have? (Government legislate & privately administered, Government legislated & administered, Privately established and administered, Other - Please explain)**

Other

Parliament passes the implementing legislation. The Deposit Insurance Fund ("DIF"), an independent public institution, administers the deposit insurance system.

**5. Who makes decisions to pay depositor claims?(Government, Central Bank, Private Sector, Regulator, Supervisor, DIS, Other - Please explain)**

DIS

The Deposit Insurance Fund ("DIF") repays depositors' claims up to the amount insured, in the cases, where the Bulgarian National Bank has withdrawn the banking license to the respective commercial bank. The insured amount is specified in the Law on Bank Deposit Guaranty ("LBDG").

Claims of depositors uncovered by the deposit insurance system are repaid from proceeds of liquidating the respective failed bank's assets under the Law on Banks.

**6. Which of the following powers has been provided to the DIS in order to carry out its mandate?**

**a. Authority to:**

**i. Enter into contracts (Yes, No, Other - Please explain)**

Yes

**ii. Set regulations or by-laws for conduct of its business (Yes, No, Other - Please explain)**

Other

The DIF Management Board has the authority to establish its internal operating rules and procedures. However, under the LBDG, promulgation of regulations effecting commercial banks, depositors or failed banks are presented to the Bulgarian National Bank for discussion and approval.

**b. Authority over entry and exit of member banks:**

**i. Establish terms and conditions of membership(Yes, No, Other - Please explain)**

No

Mmembershhip is obligatory to all banks legally licenses to take deposits.

**ii. Authority to terminate the insured status of a member initution(Yes, No, Other - Please explain)**

No

The LBDG does not provide for termination of the insured status of a member institution.

**c. Depositor reimbursement:**

**i. Effect reimbursement of depositor claims (Yes, No, Other - Please explain)**

Yes

**ii. Access to depositor information (Yes, No, Other - Please explain)**

## Bulgarian Deposit Insurance Fund

Yes

**iii. Use various methods of reimbursing depositories claims (Yes, No, Other - Please explain)**

No

The DIF repays the insured amount of the deposits via a commercial bank determined by its Management Board.

**d. Funding:**

**i. Determine how funding is provided for the DIS (Yes, No, Other - Please explain)**

No

Funding procedures are specified in the LBDG.

**ii. Terms and conditions of premiums or levies (Yes, No, Other - Please explain)**

No

Terms and conditions of premiums are specified in the LBDG.

**iii. Borrowing authorities and limits (Yes, No, Other - Please explain)**

Yes

**e. Information Requirements:**

**i. Access to information directly from member banks (Yes, No, Other - Please explain)**

No

**ii. Access to information through supervisory authorities (Yes, No, Other - Please explain)**

Yes

**f. Enforcement and intervention:**

**i. Authority to conduct examinations and/or reviews (Yes, No, Other - Please explain)**

Yes

Under the Law on Banks the DIF may exercise limited control over trustees in failed banks, which includes on-site visits.

**ii. Authority to set standards or guidelines for member institutions (Yes, No, Other - Please explain)**

No

**iii. Authority to take enforcement actions against members (I.e. such as the authority to require a change in institutional control and/or behaviour). (Yes, No, Other - Please explain)**

No

The BNB has authority to take enforcement actions against member banks.

**iv. Authority to cancel deposit insurance of member institution (Yes, No, Other - Please explain)**

No

The DIF has been granted no specific authority in this regard.

**v. Authority to hold officers and directors of failed institutions accountable for the failure of the institution (Yes, No, Other - Please explain)**

No

## Bulgarian Deposit Insurance Fund

### g. Failure resolution:

#### i. Authority to decide on appropriate form of failure resolution (Yes, No, Other - Please explain)

No

#### ii. Authority to provide financial assistance (e.g. in the form of a loan (with or without security), by purchasing assets from the institution or through some other process). (Yes, No, Other - Please explain)

No

#### iii. Authority to guarantee deposits with member institutions or guarantee loans made to an institution by other parties. (Yes, No, Other - Please explain)

Other

No such authorities under current Law. However, a Draft Bank Bankruptcy Law would provide DIF administrative control over trustees in failed banks, including trustees' liquidation activity.

#### iv. Authority to: (Undertake formal liquidations, Purchase and assumption (sale and merger), Open assistance (bridge bank), Other forms of failure resolution - Please explain)

No

Pls. refer to Question 6,g,iv.

### h. Optimizing recoveries:

#### i. Ability to act as a receiver (Yes, No, Other - Please explain)

No

Pls. refer to Question 6,g,iv.

#### ii. Ability to act as a liquidator (Yes, No, Other - Please explain)

No

## Section 3: Governance Arrangements

### 1. Is the DIS a legally separate organization from other public or private bodies? (Yes, No - Please explain, Other - Please explain)

Yes

The Bulgarian Deposit Insurance Fund ("DIF") is an independent agency established under the Law on Bank Deposit Guaranty ("LBDG").

### 2. What is the form of governance used by the DIS organization?(Board of Directors, Administrative Board or Committee, Advisory Board or Committee, Other - Please explain)

Other

The DIF is managed by a Management Board.

### 3. How is the governing body selected?

The members of the Management Board are physical persons who are designated as follows:

- 1.The Chairman - by the Council of Ministers;
- 2.The Vice Chairman - by the Bulgarian National Bank;
- 3.One member - by the Association of Commercial Banks;
- 4.Two members - jointly by the Chairman and the Vice Chairman of the Management Board.

## Bulgarian Deposit Insurance Fund

### 4. What is the composition of (e.g. number of persons and positions) the governing body?

The DIF Management Board consists of five members, who are physical persons:

- Chairman;
- Vice Chairman;
- Three Board Members.

### 5. What are the duties and responsibilities of the governing body?

The DIF Management Board manages the activity of the Fund. Under the LBDG the Board powers include: setting and collecting entry and annual premiums from banks; investing the Fund's resources; organizing the payment of the insured amount of deposits; approving the annual report of the Fund's activities and presenting it to the Council of Ministers, the Bulgarian National Bank ("BNB") and the National Audit Office ("NAO"); approving the annual balance sheet; approving the annual budget for the Fund's administrative expenses and presenting it for approval to the BNB Managing Board; presenting the approved budget and report on its performance to the NAO; preparing draft regulations for the implementation of the Law and presenting them to the BNB for discussion and approval.

### 6. Is there any direct or indirect representation in the management of the DIS by member insured institutions, the Central Bank, the Regulator, the Supervisor or other parties? (Yes, No, Other - Please explain)

Yes

The Vice Chairman is designated by the Bulgarian National Bank.

One Board Member is designated by the Association of Commercial Banks.

### 7. Please provide a breakdown of the management structure of the DIS.

The DIF is managed by a Managing Board consisting of:

- Chairman;
- Vice Chairman;
- Three Board Members.

### 8. Do you have an internal control and audit systems.(Yes, No, Other - Please explain)

Yes

The DIF maintains a system of internal control procedures, including investment activities, cash and payment procedures, and accounting controls. Additionally, the DIF's independent auditors and the National Audit Office review and evaluate the DIF's internal control procedures.

### 9. Are directors and officers of the DIS and/or supervisors personally liable for their decisions in the normal course of their activities? (Yes, No, Other - Please explain)

Yes

Since Board members are not regarded as civil servants, management and staff are not legally protected in exercising their duties under the LBDG.

The Draft Law on Bank Bankruptcy envisages immunity for DIF officials and staff from damage liability for actions taken under the Law.

### 10. Is there an advisory committee to the DIS?(Yes, No, Other - Please explain)

No

There are no permanent advisory committees to the DIF. However, under the LBDG the

## Bulgarian Deposit Insurance Fund

Management Board may recruit experts and form commissions to assist the DIF in its functions.

**11. Has the DIS ever taken legal action against directors of failed member institutions? Or others? What position did the person(s) hold? (Yes, No, Other - Please explain)**

No

The LBDG does not provide the DIF with any power to take legal actions against directors of failed member institutions.

**12. Please indicate what tools are used as part of your management accountability regime. (Annual Reports, Audited financial statements, Corporate/business plan, Other reporting requirements)**

Annual reports, Audited financial statements, Other

The National Audit Office exercises control over the DIF activities.

The annual report of the DIF is presented to the Council of Ministers, the Bulgarian National Bank and the National Audit Office.

The annual budget for the DIF administrative expenses together with a report on its performance are presented for approval to the Managing Board of the Bulgarian National Bank. The approved budget and report on its performance are presented to the National Audit Office.

Although the LBDG does not require it, the DIF Management Board has adopted a formal policy to have an independent audit of its financial statements. Since its first year of operation the DIF has always engaged an independent international financial auditor for this purpose.

The DIF functions, roles and responsibilities are well laid out in statutory legislation, which is made available to the public. Legislation is published in the State Gazette and posted on the DIF web site. The annual balance sheet is published in the State Gazette, in the annual report, and made available to the public through the DIF web site. Annual reports which are published both in Bulgarian and English are widely distributed free of charge. In order to popularize its activities among the public the DIF has opened a "hot telephone line" and published a Q & A Brochure on deposit insurance, which was distributed among commercial banks participating in the system. The Brochure is posted both in Bulgarian and English on the DIF web site as well. The latter contains also statistical data on deposit insurance.

According to the LBDG the DIF Management Board prepares draft regulations for the implementation of the Law and presents them to the Bulgarian National Bank for discussion and approval.

### Section 4: Human Resources & Infrastructure

**1. What is the total number of employees at the DIS?**

The current number of employees is 18, including the DIF Chairman.

**2. Are the majority of DIS employees dedicated staff or do they come from other organizations (i.e. government, central bank, private sector)? (Yes, No, Other - Please explain)**

Yes

The majority of DIF employees are dedicated staff. Concurrently, in resolving specific issues, the DIF is assisted by highly qualified consultants.

## Bulgarian Deposit Insurance Fund

### **3. Does the DIS train and develop its own staff? If so, briefly describe programs which have been put in place for training and development? (Yes - Please explain, No, Other - Please explain)**

Yes

DIF personnel management policy is focused on recruiting and employing highly qualified and skilled people, and developing their professionalism and expertise.

In order to ensure the efficient operation of the DIF, its management puts strong emphasis on the continued training and developing of the administrative staff. Thus, employees participate in various forms of training. In 2000 – 2002 six DIF experts participated in Federal Deposit Insurance Corporation training programs related to different aspects of deposit insurance – public relations, investment management, accounting, failure resolution and asset liquidation. This type of training is rendered under the DIF Technical Assistance Project financed by the US Agency for International Development. Under this Project, on-the-job training is provided by the DIF consultants. Employees take part in different courses and seminars organized in house by the International Banking Institute. In addition, DIF international relations activities contribute significantly to improved staff expertise.

### **4. Is there shared training and development between the staff of the DIS and other authorities involved in financial sector supervision or regulation? (i.e. central bank, supervisor, regulator, other) (Yes, No, Other - Please explain)**

Yes

DIF employees participate in seminars together with the BNB Banking Supervision Department as well as with other Directorates of the Central Bank. Examples of these seminars include bank supervision, bank analysis, payment systems, accounting and IAS.

### **5. Are compensation and incentives offered sufficient to attract and retain skilled staff? Please elaborate. (Rank on a scale from 1 to 5 where 1 is not at all adequate and 5 is extremely adequate)**

4

In administering the DIF salary system the Fund's management has always seek to:

- Provide a fairly remuneration to the DIF administrative staff in consistency with employees' qualification and expertise.
- Ensure that salary rages are competitive with those of the Banking Supervision Department of the Bulgarian National Bank, thus to attract highly qualified experts and to encourage them to stay with the DIF.
- Offer employees a typical benefits package.

### **6. Are confidentiality provisions for employees provided for?(Yes, No, Other - Please explain)**

Yes

The LBDG, the DIF Management Board's Rules of Procedure and other internal documents as well, provide for confidentiality and disclosure of conflict of interest.

Under the LBDG any member of the DIF's Management Board and its administrative staff is bound to disclose in writing to the Management Board any trading, financial or other business interest, which impairs the DIF's interests. In performing their obligations, the Board members and the administrative staff are bound to place the DIF's interests before their own interests. Members of the Management Board and other persons engaged by the DIF are not allowed to disclose personally or through other persons any information which represents a banking, commercial or other secret protected by law, which has become known to them while caring out their duties.

## Bulgarian Deposit Insurance Fund

In addition, in compliance with the DIF 'Internal Rules for Ethical Behaviour' all employees sign an entry declaration and annual declaration. The Rules, adopted by the Management Board in the mid of 2000, set the general criteria and standards for employees' ethical behaviour in fulfilling their duties. Under these rules the DIF has designated an ethics code officer as well.

### **7. Do employees of the DIS receive legal protection against lawsuits for their actions taken in good faith and acting in the best interests of the DIS? (Yes, No, Other - Please explain)**

No

Since Board members are not regarded as civil servants, management and staff are not legally protected in exercising their duties under the LBDG.

The Draft Law on Bank Bankruptcy envisages immunity for DIF officials and staff from damage liability for actions taken under the Law.

### **8. What percentage of the budget is spent on training and development and information technology?**

The training costs are augmented through the substantial training provided by the USAID Technical Assistance project.

## **Section 5: Information Sharing & Interrelationship Among Safety-Net Players**

### **1. Who performs examinations of DIS member institutions? (Central Bank, Supervisor, Regulator, DIS, Other - Please explain)**

Central Bank, Supervisor

Examinations of DIS member institutions are performed by the BNB Banking Supervision Department.

Under the LBDG the DIF does not have independent power to inspect insured banks. Information about insured banks is provided to the DIF by the BNB.

### **2. Please describe the examination process that is used to evaluate member institution performance.**

The BNB Banking Supervision Department has developed, with technical assistance from the USAID, a risk-based examination process modelled on international best practices. Banks are examined both on- and off-site and are assigned a risk-based CAMELS ratings.

### **3. What information is collected from member institutions for the DIS and other parties?**

Information about insured banks is provided to the DIF by the BNB.

For more details please refer to the answer to Question 4.

### **4. What arrangements (i.e. formal or informal) are in place between organizations responsible for deposit insurance and other parties comprising the safety-net (e.g. central bank, supervisor, regulator) regarding the sharing of information concerning member institutions? Please provide details of these agreements.**

Information about insured banks is provided to the DIF by the BNB.

Under the LBDG:

- Upon request by the DIF's Management Board, the BNB shall provide all the information available to it on the amount of bank deposits and required for calculating the contributions to be paid by banks, and shall also provide full current information on the financial status of banks in

## Bulgarian Deposit Insurance Fund

view of assessing the risk associated with the implementation of the deposit guaranty system.

- On demand of the DIF's Management Board, the Deputy Governor heading the Banking Supervision Department at the BNB shall require from commercial banks any documents necessary to make an unbiased evaluation on the existence and status of claims for guaranteed deposits. In these circumstances the restrictions under Article 52 of the Law on Banks regarding bank secrecy shall not apply.
- The DIF's Management Board may demand from the Deputy Governor heading the Banking Supervision Department at the BNB that limited examinations be conducted in banks and the results be presented to the Fund.

Under the "Memorandum of Understanding", signed between the BNB and the DIF in November 1999, the BNB provides monthly banks' financial statements and, on a quarterly basis, detailed analysis reports. Information on distribution of deposits by size for each bank is received twice a year. Additional data (such as ad hoc reports, sanctions imposed on banks, results from on-site inspections, conclusions regarding deposit base calculation and premiums' determination) are also received.

**5. On a scale from 1 to 5, 1 being low and 5 being high, please rate both the accessibility (i.e. access to all necessary information for the DIS to fulfill its mandate) and timeliness ( i.e. information is received when needed) of information that is shared amongst members of the safety net.**

### Accessibility

3

### Timeliness of information

3

**6. Is there a consistent definition/classification across authorities of problem institutions? (Yes, No, Other - Please explain)**

Yes

The BNB Banking Supervision Department assigns CAMELS risk rating to all banks and foreign branches operating in Bulgaria. Problem banks are defined in the BNB Supervision Manual. This Supervision Manual has been provided to the DIF so the DIF is well aware of their problem bank definitions.

**7. When policy regarding the DIS and financial sector is developed or amended, what other bodies are consulted and/or advised?**

When policy regarding the DIS and financial sector is developed or amended, depending on the exact issues, the institutions involved in this process could be:

- The BNB, including its banking Supervision Department;
- Ministries, i.e. the Ministry of Finance, the Ministry of Justice, the Ministry of Foreign Affairs;
- The Council of Ministers;
- The Association of Commercial Banks.

**8. Are details shared regarding such matters? And is discussion encouraged prior to implementation? Please provide details.**

There is strong information sharing among interested parties involved in the process of development or amendment to DIS policy. Normally, working groups are formed with representatives of different institutions.

Discussions, prior to implementation is encouraged among interested parties. In addition, there is the presumption in favour of public consultations when substantial changes to the structure of

## Bulgarian Deposit Insurance Fund

financial regulations are proposed. In the latter case, consultations can be organized in the form of public discussions.

### 9. How often do you contact other DIS? (Never, Occasionally, Regularly, Other- Please explain)

Regularly

The Bulgarian Deposit Insurance Fund puts strong emphasis on its international activities.

The DIF maintains close relations with other deposit insurance institutions from neighbourhood countries, countries from Europe and other regions. Bilateral cooperation includes regular exchange of information and visits of DIF representatives to some of these institutions as well as other institutions' visits to the DIF.

The DIF is actively taking part in the information exchange and international cooperation in deposit insurance organized by the Working Group on Deposit Insurance with the Financial Stability Forum, which is chaired by the Bank for International Settlements in Basel. The DIF also participates in other international forums, such as the Research Forum on Deposit Insurance, initiated by the Italian Interbank Deposit Protection Fund together with other deposit insurers.

### 10. When the regulator, supervisor or central bank enters into an agreement with a financial institution that is experiencing problems is the DIS consulted? (Yes, No, Other - Please explain)

No

When the BNB Banking Supervision department enters into agreement with a financial institution that is experiencing problems, the DIF receives subsequent notification and information about all actions or measures undertaken by the BNB.

## Section 6: Membership

### 1. What types of institutions are covered in your DIS?

In Bulgaria, participation in the deposit insurance scheme is mandatory. According to the LBDG only branches of foreign banks located in Bulgaria are excluded from the DIF coverage if they meet the following three accumulative criteria - the home country of the head office of such a bank has a deposit guarantee scheme, the scheme provides for a higher guaranteed amount than the one prescribed in the LBDG, and the scheme is applicable to the bank's branches in Bulgaria.

### 2. Is membership in the DIS mandatory for designated deposit taking institutions? (Yes, No, Other - Please explain)

Yes

In Bulgaria, participation in the deposit insurance scheme is mandatory. According to the LBDG only branches of foreign banks located in Bulgaria are excluded from the DIF coverage if they meet the following three accumulative criteria - the home country of the head office of such a bank has a deposit guarantee scheme, the scheme provides for a higher guaranteed amount than the one prescribed in the LBDG, and the scheme is applicable to the bank's branches in Bulgaria.

Only three foreign branches of Greek banks do not participate in the scheme, as deposits with them are covered by their home scheme, which provides for bigger guaranteed amount.

### 3. Do you have terms and conditions of membership? (i.e. laws, regulations or agreements and regulations which member institutions have to abide by) If so, please explain the application process used and any conditions of membership imposed on institutions by the DIS. (Yes - Please explain, No, Other - Please explain)

## Bulgarian Deposit Insurance Fund

No

As participation in the deposit insurance scheme is mandatory for all banks legally licensed to take deposits. Under the provisions of the LBDG banks are obliged to pay entry and annual premium contributions to the DIF.

**4. Is the membership of foreign institutions (i.e. foreign bank branches and/or subsidiaries) covered in the same way as domestic institutions? If not, please describe the difference. (Yes - Please explain, No, Other - Please explain)**

Yes

With regard to membership of foreign banks' branches, pls. refer to the answers to Question 1 and Question 2.

Subsidiaries of foreign institutions are covered in the same way as domestic institutions.

**5. If more than one safety-net organization is responsible for the application process for membership, how is the application process coordinated between the parties responsible?**

The BNB licenses banks and foreign branches, which is the only condition for membership in the deposit insurance system.

**6. Are deposit-taking institutions required to re-apply for membership after a certain period of time? (Yes, No, Other - Please explain)**

No

**7. How many member institutions do you have?**

32 banks

**8. What is the total level of assets, deposits and insurable deposits of all DIS member institutions?**

As of December 31, 2001, total number of assets = BGN 12,221 million, total member deposits = BGN 9,556 million and total insured deposits = 8,098 million.

### Section 7: Coverage

**1. Is there a formal definition of a deposit and or insured deposit used by your DIS? If so what is it? (Yes - Please explain, No, Other - Please explain)**

Yes

The definition of 'deposit' is given in the Additional Provision of the LBDG. Within the meaning of the Law 'deposit' are the funds kept on a bank account, irrespective of its type, opened in the name of one or more persons, or credit balances ensuing from temporary positions as the result of usual banking transactions, whereas the bank is obliged to repay such funds or balances to the depositors in pursuance of the statutory and contractual provisions applicable.

**2. What types of deposits are eligible for coverage in your DIS?(Savings account, Chequing account, Annuity contracts, Certificates of deposit, Guaranteed investment certificates, Travellers cheques, Money orders, Certified drafts or cheques, Foreign currency deposits, Inter-bank deposits, Other - please explain)**

Savings account, Chequing account, Annuity contracts, Certificates of deposit, Travellers cheques, Money orders, Foreign currency deposits

All types of deposits which comply with the definition of 'deposit', given in the Additional Provision of the LBDG, are covered by the system.

## Bulgarian Deposit Insurance Fund

### 3. Coverage is: (per depositor account, per depositor, per institution, per depositor per institution, other - please explain)

per depositor per institution

Under the LBDG funds held on a depositor's account with a bank regardless of the number and size of the deposits are fully guaranteed up to BGN 10,000.

### 4. What is the coverage limit?

Under the LBDG funds held on a depositor's account with a bank regardless of the number and size of the deposits are fully guaranteed up to BGN 10,000.

The above amount includes the interest accrued as at the date of the resolution of the BNB for revoking a bank's license.

Both deposits in levs and in foreign currency are insured.

### 5. How was this figure arrived at?

In December 2001 the LBDG was amended and coverage was increased up to 100% of BGN 10,000.

### 6. For eligible financial instruments with maturity dates, what is the longest contract term covered by the DIS?

### 7. What types of depositors are eligible for coverage in your DIS? ( Foreign (non-residents), Officers & directors of member institutions, Corporations (domestic), Corporations (foreign), Other - Please explain)

Foreign (non-residents),Corporations (domestic),Corporations (foreign),Other

Insured are deposits of Bulgarian and foreign citizens as well as of Bulgarian and foreign companies.

By virtue of the LBDG, deposits of the following entities are excluded from the guarantee: banks and nonbank financial institutions; insurers; pension and social security funds; investment intermediaries and companies; privatization funds; government and government institutions; municipalities, the DIF.

The deposit insurance is also inapplicable to preferential deposits, deposits of bank's shareholders owning over 5 per cent of the bank's equity, members of the banks' managing and supervisory boards, bank's auditors, as well as their spouses and relatives of direct and lateral lineage up to the second degree inclusive.

Deposits associated with 'money laundering' are also excluded from the guarantee provided the deposit holder has been convicted and the sentence has come into force.

### 8. Is the coverage amount indexed? (Yes, No, Other - Please explain)

No

The LBDG provides for 100% coverage of deposits amounting to BGN 10,000.

### 9. What is it indexed to?

Not applicable.

### 10. Does your DIS use coinsurance? If coinsurance is used please describe the approach used. ( Yes, please explain, No - go to 12, Other -please explain)

## Bulgarian Deposit Insurance Fund

No

**11. Is the public widely aware of the presence of coinsurance? (Yes, No, Other - Please explain)**

**12. Are coverage levels affected by resolution methods? If so, please explain. (Yes, No, Other - Please explain)**

No

**13. Is there public expectation that the DIS coverage limit would be extended to 100% coverage in the event of a banking crisis or the failure of a very large institution? Please provide recent examples, if applicable. (Yes, No, Other - Please explain)**

No

The DIF has widely publicated via its web site and publications the deposit insurance coverage.

**14. How is a decision made on the insurance eligibility of new financial products?**

The LBDG states clearly all types of deposits that are excluded from the DIF guarantee.

**15. When member institutions merge how are insured deposits treated?**

In the event of a transformation of two or more banks through takeover or merger, the deposits held with these banks before the transformation are calculated, for the purposes of the deposit insurance, separately for each bank within the six-month term under the provisions of the Law on Commerce.

### Section 8: Funding & Fund Management

**1. What type of funding is used by the DIS? a. Ex-ante (defined as the accumulation of a reserve or fund to cover deposit insurance claims in anticipation of the failure of a member institution) b. Ex-post (defined as an assessment of levied after the failure if a member institution to provide funds to cover deposit insurance claims) c. A combination of the above two approaches d. Other - Please explain**

**2. Is the DIS funded by levying insurance premium assessments against member institutions or by some other means such as general tax revenues? (Premium Assessment, Other - Please explain)**

**3. If insurance premiums are assessed, are they assessed as a flat rate or are they differential in some way, please explain?**

**4. What is the current premium rate? If there have been changes to this rate details would be appreciated.**

**5. How often is the premium assessed?**

**6. Is the premium assessed on total deposits, insured deposits or something else?**

**7. Are premiums paid by member institutions tax deductible as a business expense? (Yes, No, Other - Please explain)**

**8. For premiums that are differentiated please explain the risk assessment system that is used to ascertain a premium assessment.**

**9. Does the DIS have a target with respect to the size of the DIS fund? (Yes, No, Other - Please explain)**

**10. How is the optimum level (i.e. target) of the fund determined?**

## Bulgarian Deposit Insurance Fund

11. What investment policies (i.e. safeguards against abuse) exist concerning the use of the fund?
12. If a fund is not maintained, is an assessment levied on institutions after the failure of a financial institution has occurred? If so, please explain how the levies are determined and losses distributed among institutions. (Yes, No, Other - Please explain)
13. Is any income arising from the investment of the fund subject to corporation or incomes tax? (Yes, No, Other - Please explain)
14. Which of the following sources of additional funding, for emergency or liquidity purposes, does the DIS have access to? (Government funding, Access to financial markets, Other - Please explain)
15. Are member institutions required by law to issue, on a regular basis, subordinated debt? (Yes, No, Other - Please explain)

### Section 9: Reimbursing Depositors

1. Please describe the procedure for reimbursing depositors that is used by your DIS?
2. Are depositors required to file a claim when a member institution fails? If so, what is the process? (Yes - Please explain, No, Other - Please explain)
3. When is the DIS obligated to reimburse insured depositors?
4. Is there an established legal basis upon which to base the reimbursement process? Please explain. (Yes - Please explain, No, Other - Please explain)
5. Is the DIS subject to explicit standards for prompt reimbursement? If so what are they? (Yes - Please explain, No, Other - Please explain)
6. What methods of payment can be used and under what circumstances are they used?
7. Are the rules regarding clearing, set-off, trust accounts and related issues well defined (through the legal system or formal agreement)? (Yes, No, Other - Please explain)
8. What are the financial institutions obligated to hold with respect to deposit records?
9. When is the DIS given access to an institution's financial and depositor records?
10. Does the DIS have the option of making advance payments to depositors in situations of dire need (i.e. in an emergency)? (Yes, No, Other - Please explain)
11. Does the DIS make interest payments to depositors during the time taken for reimbursement? Please explain. (Yes, No, Other - Please explain)
12. What information is communicated to depositors regarding the reimbursement process?
13. What process does the DIS use to ensure that depositor secrecy and confidentiality is maintained during the reimbursement process?
14. What steps are taken to verify, reconcile and settle insured deposit accounts?
15. What steps are taken to ensure that an institution's depositor records are accurate, up to date and accessible?
16. Does the DIS document its experiences with respect to each reimbursement action (i.e. lessons learned) in order to allow for continuous improvement? (Yes - Please explain, No, Other - Please explain)

## Bulgarian Deposit Insurance Fund

17. What technologies does/can the DIS use to facilitate the reimbursement process?

### Section 10: Public Information & Awareness

1. What obligations are there to inform the public?
2. Who is responsible for communicating information about the DIS to the general public? (DIS, Supervisor, Regulator, Central Bank, Government, Other - Please explain)
3. Are these explicitly stated in policy or law? Please explain.
4. Are the terms and conditions of DIS explained in a manner that the general public can understand fully? (Yes, No, Other - Please explain)
5. If so what methods are utilized? (Brochures, Use of "Official Sign" to display insured status, Telephone call centre, Website, Other - Please explain)
6. At what point is information disclosed to the public about an institution that is having problems and how is information disclosed?
7. Has a survey of public awareness about the DIS been conducted? If so what were the results? If not why not? Please email any supporting documentation.
8. Has the DIS ever embarked on a public awareness campaign to increase awareness and knowledge? If yes how many times has this been done and when was the last time? (Yes - Please explain, No - Please explain, Other - Please explain)
9. Please describe the approach used; objectives, target audience, communication strategy, timing and results.

### Section 11: Risk Assessment & Intervention

1. Does the DIS have a risk monitoring function to analyze and assess the risk of member institutions? (Yes, No - Please explain, Other - Please explain)
2. Does the DIS perform examinations of its member institutions? If not who does? (Yes, No - Please explain)
3. Does the DIS receive information/data/statistics directly from its member institutions or from a third party, such as a regulator or supervisor? If so what information is received and how often? (Yes, No, Other - Please explain)
4. What is the risk assessment approach used by the DIS to monitor financial institutions? Please describe. Please be sure to include the criteria used to determine member institution risk.
5. Please list and describe the actions taken by the DIS in situations where member institutions are causing concern. Please indicate when coordination occurs with other supervisory/regulatory authorities and the mechanisms used.

### Section 12: Failure Resolution

1. IS Your DIS involved in the failure resolution of member institutions? (Yes, No, Other - Please explain)

## Bulgarian Deposit Insurance Fund

2. Under what circumstances can the DIS cancel/terminate the deposit insurance of a member institution?
3. Who determines whether a member institution has failed or is "insolvent"?
4. How is the failure/non viability of a member institution determined?
5. How many member institutions have failed in your country in the last 10 years?
6. Do banks go through the regular corporate bankruptcy process? If no, what is the process used? (Yes, No, Other - Please explain)
7. Is the receiver of failed institutions also the one that disposes of the institutions? If not, who does? (Yes, No, Other - Please explain)
8. Which methods of failure resolution are used in your country to deal with failures. Also, please indicate the frequency of use of the various methods in the last 10 years. (Formal liquidation, Purchase and assumption (sale and merger), Open bank assistance (e.g. recapitalization), bridge banks and other interim solutions, Other - Please explain)
9. What criteria are used to determine the method of failure resolution?
10. Is the deposit insurer required to resolve failed or failing insured depository institutions in a manner that is least costly to the DIS? (Yes, No, Other - Please explain)
11. Please indicate what kind of private companies, if any, are included in the failure resolution process and why?

### Section 13: Claims, Recoveries & Estate Management

1. Does the DIS play a role in the claims and recoveries process? If yes please describe this role. (Yes - Please explain, No, Other - Please explain)
2. What is the primary objective of the DIS when dealing with claims and recoveries (i.e. maximization of nominal and present value recoveries, financial system stability, system discipline, other)?
3. What role does the private sector play in the claims and recoveries process?
4. What approaches and strategies are adopted by the deposit insurer to accomplish the objectives of claims and recovery activities?
5. By what standard is the DIS judged with respect to performing its function in claims and recoveries (ex. Comparative private sector or DIS benchmarks, internal assessment, past experience, other)?
6. What assets have you found to be the hardest to recover? Why? What types of strategies have been used to recover different assets?
7. Does the DIS have rights of "subrogation" (i.e. the subrogation of insurance entity to the rights of insured depositors) or an equivalent arrangement? (Yes, No, Other - Please explain)
8. Is there depositor priority when banks fail? (i.e. Do depositor claims rank in priority above other unsecured creditors in the liquidation of a bank?) (Yes, No, Other - Please explain)
9. Are the rights of "set-off" available or imposed in your country's legal system? Please describe the various forms set-off can take. (Yes, No, Other - Please explain)

## **Bulgarian Deposit Insurance Fund**

### **Section 14: Other Issues**

- 1. What is your view on recent trends and emerging issues in the financial sector in your country and the potential impact they might have on the DIS?**
- 2. Are there any issues related to deposit insurance which you would like to see more research in?**

**End of Report**