

Bulgarian Development Bank Act

Promulgated, State Gazette No. 43/29.04.2008, amended, SG No. 82/16.10.2009, effective 16.10.2009, SG No. 99/16.12.2011, effective 1.01.2012, supplemented, SG No. 102/21.12.2012, effective 1.01.2013, amended, SG No. 107/24.12.2014, effective 1.01.2015, SG No. 14/20.02.2015, amended and supplemented, SG No. 63/4.08.2017, supplemented, SG No. 96/1.12.2017, effective 1.01.2018

Text in Bulgarian: Закон за Българската банка за развитие

Chapter One GENERAL PROVISIONS

Article 1. (1) This Act shall lay down the structure and activity of the Bulgarian Development Bank, hereinafter referred to as "the Bank".

(2) The Bank shall be a credit institution - joint-stock company with no less than 51% state holding.

(3) The seat of the Bank shall be in the city of Sofia. The Bank may open representative offices and branches.

Chapter Two GOALS AND PRINCIPLES OF THE BANK

Article 2. The principles of the Bank shall be:

1. improvement, stimulation and development of overall economic, export and technological potential of small and medium-sized enterprises by facilitating their access to financing;
2. acquisition and management of mid-term and long-term local and foreign resources necessary for realisation of the country's economic development;
3. application of schemes and instruments for financing of public investments and projects which have priority in the country's economy;
4. acquisition of funds and management of projects from international financial and other institutions;
5. acquisition of funds and providing financing for the purpose of minimising regional imbalances in the country.

Article 3. In performing its activities, the Bank shall be guided by the principles of transparency, neutrality, profitability, efficiency, market compatibility and best banking practice.

Chapter Three ACTIVITY OF THE BANK

Article 4. (1) The priorities in the Bank's activity shall be in conformity with the policy of the government of the Republic of Bulgaria on small and medium-sized enterprises. The main activities shall be:

1. pre-export and export lending to small and medium-sized enterprises;
2. offering other products related to export stimulation - guarantees for participation in tenders, good performance bonds, advance payment bonds, guarantees for repayment of exporter loans, etc;
3. funding small and medium-sized enterprises by participation in their capital through the Fund for Capital Investments;
4. crediting, through intermediary local banks or directly, the activity of small and medium-sized enterprises;
5. issuing guarantees to supplement collateral provided by small and medium-sized enterprises in order to receive loans from other local or foreign banks, directly or through a National Guarantee Fund;
6. refinancing of banks granting loans to small and medium-sized enterprises;
7. refinancing of foreign banks granting loans to buyers of goods or services provided by small and medium-sized enterprises;
8. financing of investments outside the country of small and medium-sized enterprises;
9. management of financial resources of the European Union, incl. resources from European Union funds;
10. consultancy relating mainly to preparation of projects and application for utilisation of funds/subsidies from European Union funds;
11. consulting small and medium-sized enterprises on their capital structure and related issues;
12. supporting activities related to government, municipal or international projects aimed at development of the country's economy such as performing custody/management, payment and monitoring operations as well as harmonisation of the utilisation of funds/subsidies on the projects.

(2) (Supplemented, SG No. 96/2017, effective 1.01.2018) The Bank shall carry out the activities referred to in Article 2 (1) and (2) of the Credit Institutions Act in accordance with a license granted by the Bulgarian National Bank, as well as the activities referred to in Article 39, Paragraph 2, Items 4 and 5 of the Concessions Act.

(3) In pursuing the government policy on encouragement of small and medium-sized enterprises the Council of Ministers may, in accordance with the national strategy for encouragement of small and medium-sized enterprises, approve the strategic goals and tasks of the Bank.

(4) (Amended, SG No. 82/2009, effective 16.10.2009, SG No. 14/2015, SG No. 63/2017) The Council of Ministers shall, on a proposal from the Minister of Economy, approve a three-year strategy for the Bank's activity in accordance with the national economic policy.

(5) The Bank shall receive, on a priority basis, deposits of its employees and persons using the services of the Bank.

(6) The Bank may not, acting by the nature of trade thereof, carry on any other activities other than those specified in Paragraphs 1 and 2, save where this is necessary in connection with the pursuit of the business thereof or in the process of collection of receivables thereof on loans as granted.

(7) The Bank may set up or acquire companies for provision of ancillary services.

Chapter Four

MANAGEMENT

Article 5. (1) The Bank shall have a two-tier management structure.

(2) (Amended, SG No. 63/2017) The rights of the State in the general meeting of shareholders of the Bank shall be exercised by the Minister of Economy.

(3) (Amended, SG No. 63/2017) By 31 May of the current year, the Bank shall submit to the Minister of Economy an annual report on its activity for the previous year. The report on the activity shall be submitted for information to the Council of Ministers.

Chapter Five

CAPITAL AND RESERVES

Article 6. (1) The authorised capital of the bank may be increased without limitation by a decision of the general meeting of shareholders.

(2) The shares of the State in the amount of no less than 51% of the registered capital at any time shall be non-transferable.

(3) The shares of the Bank's capital shall be registered, dematerialised and shall entitle the holder to one vote in the general meeting of shareholders.

(4) Besides the Bulgarian State, the shares of the Bank's capital may also be acquired and held by the Council of Europe Development Bank, the European Investment Bank and the European Investment Fund, by development banks in EU Member States. In these cases Article 31 of the Credit Institutions Act shall not apply.

(5) The shares of the Bank may not be pledged. The rights attaching to the shares may not be subject to transfer transactions.

Article 7. (1) (Amended, SG No. 99/2011, effective 1.01.2012) The Bank shall form a Reserve Fund in accordance with the procedure of Article 246 of the Commerce Act.

(2) The Bank may not pay out dividends or distribute capital before setting aside the funds required for the Reserve Fund, as well as where this would result in non-conformity with the requirements laid down by the Bulgarian National Bank.

Article 8. Any shareholder may give up the dividend to which it is entitled. In this case the funds shall be deposited to the Supplementary Reserves Fund of the Bank.

Chapter Six

SOURCES OF FUNDING

Article 9. The sources of funding the Bank's activity shall be:

1. the Bank's operating income;
2. bonds issued by the Bank;
3. loans from local, foreign and international institutions;
4. financial resources from European Union funds and special-purpose funds for development of economic sectors and geographic regions;
5. other sources.

Chapter Seven

STATE GUARANTEES

Article 10. (1) State guarantees may be issued only for funding the Bank's activity under Items 2 and 3 of Article 9 hereof where the agreed term of the funding exceeds one year.

(2) The debt of the Bank under Paragraph 1 shall be guaranteed by the State and shall constitute an obligation of the government in the cases where the Council of Ministers has issued guarantees on behalf and for the account of the State in conformity with the Constitution and the Government Debt Act.

(3) (Supplemented, SG No. 63/2017) The Supervisory Board through the Minister of Economy shall make a proposal to the minister of finance regarding a request for obtaining a state guarantee in the cases under Paragraph 2.

(4) Upon acquiring funds for funding its activity the Bank shall notify in writing its creditors whether their receivables are covered by state guarantee.

Chapter Eight

LIQUIDATION

Article 11. The Bank may be declared in voluntary liquidation by a law.

Chapter Nine

FUND FOR CAPITAL INVESTMENTS

Article 12. (1) The Fund for Capital Investments shall be a merchant - a subsidiary of the Bank. The Bank shall hold at least 51% in the capital of the Fund for Capital Investments.

(2) Shareholders in the Fund for Capital Investments may be local, foreign and international financial and credit institutions.

(3) The Fund for Capital Investments shall have a one-tier management system.

Article 13. (1) In its activity the Fund for Capital Investments shall be guided by the priorities of the Bank and its activity shall cover the following:

1. participation in the capital of small and medium-sized enterprises;
2. consulting services on the capital structure of small and medium-sized enterprises, consultancy and services on transformation of enterprises under Article 261 of the Commerce Act;
3. consulting services on investments;
4. consulting services on management of securities pools of small and medium-sized enterprises.

(2) The Fund for Capital Investments shall participate in the capital of small and medium-sized enterprises for the purpose of increasing competitiveness of enterprises, providing capital for research and development, enhancing the production capacity, financing before raising capital on a regulated market and utilisation of European Union funds.

(3) Participation in the capital of small and medium-sized enterprises for the purpose of acquiring stakes or shares shall be performed under conditions stipulated by the Board of Directors of the Fund for Capital Investments.

Article 14. (1) The Fund for Capital Investments shall participate in the capital of small and medium-sized enterprises in an amount not exceeding the maximum allowed values but no more than 34% of the capital of a company.

(2) The total value of the participation of the Fund for Capital Investments in the capital of an enterprise may not exceed 10% of the Fund's capital.

Chapter Ten

NATIONAL GUARANTEE FUND

Article 15. (1) The National Guarantee Fund shall be a merchant - a subsidiary of the Bank. The Bank shall hold at least 51% in the capital of the National Guarantee Fund.

(2) Shareholders in the National Guarantee Fund may be local, foreign and international financial and credit institutions.

(3) The National Guarantee Fund shall have a one-tier management system.

Article 16. (1) In its activity the National Guarantee Fund shall be guided by the priorities of the Bank and its activity shall cover the following:

1. issue of guarantees to supplement collateral on loans to small and medium-sized enterprises;

2. offering other products to small and medium-sized enterprises such as guarantees for participation in tenders, good performance bonds, advance payment bonds, guarantees for repayment of exporter loans, etc;

3. issue of guarantees to supplement collateral on loans to small and medium-sized enterprises engaged in research and development and for implementation of such products and scientific research in industry.

(2) The guarantees issued under Paragraph 1 may cover up to 50% of the obligation.

(3) (New, SG No. 102/2012, effective 1.01.2013) The guarantees issued in accordance with paragraph 1 in connection with guarantee schemes under the Rural Development Programme for the period 2007 - 2013 and the Operational Programme for the Development of the Fisheries Sector for the period 2007 - 2013 may cover up to 80 percent of the obligation.

Article 17. The National Guarantee Fund may issue guarantees for payments under conditions stipulated by the Board of Directors of the National Guarantee Fund.

Article 18. The maximum amount of the guarantees issued by the National Guarantee Fund to a company may not exceed 10% of the capital of the Fund.

Chapter Eleven SPECIAL PROVISIONS

Article 19. (Amended, SG No. 107/2014, effective 1.01.2015) (1) The Bank shall secure in accordance with the procedure set out in Article 152, paragraphs 1 – 8 of the Public Finances Act the resources in accounts and deposits of budgetary organisations resulting from usual banking services.

(2) Resources of the central budget, which have been provided for financing by the Bank:

1. of activities under international programmes and agreements;

2. of support of the liquidity or the capital of banks or other financial institutions;

3. for other purposes, stipulated by law or an instrument of the Council of Ministers.

Article 20. (1) The total amount of the holdings of the Bank in subsidiaries other than banks, investment intermediaries, insurers or financial institutions may not exceed 40% of its equity and together with its investments in real estate and other fixed tangible assets, its own equity.

(2) The amount of a direct or indirect holding of the Bank in a company other than a bank, investment intermediary, insurer or financial institution may not exceed 15% of its equity.

SUPPLEMENTARY PROVISION

§ 1. Within the meaning of this Act:

1. "Small and medium-sized enterprises" shall be enterprises within the meaning of the Small and Medium-Sized Enterprises Act registered on the territory of the Republic of Bulgaria.
2. "Special-purpose funds" shall be all public funds of the Republic of Bulgaria or the European Union intended for spending or investments in support or for development of specific geographic regions, economic sectors and industries. The special-purpose funds may be grants or recoverable.

TRANSITIONAL AND FINAL PROVISIONS

§ 2. Currently and within one year from entry into force of this Act and in accordance with conducted renegotiation with any of the partner banks under the "Guarantee Fund for Micro Lending" programme to the Ministry of Labour and Social Policy for replacement of cash provided as collateral with bank guarantees issued by the Bank the released government funds under the programme shall be transferred to an account of the Ministry of Labour and Social Policy. The capital of the Bank shall be increased with the amount of the recovered amounts and the funds shall be transferred from the budget to the Ministry of Finance.

§ 3. Within three months from entry into force of this Act a general meeting of shareholders shall be convened for changing the name of Encouragement Bank AD to Bulgarian Development Bank AD and for adopting other amendments to the statute of Encouragement Bank AD for the purpose of bringing it in conformity with the provisions of this Act. Until registration of the name of the Bank in the commercial register all rights and obligations laid down for the Bulgarian Development Bank shall apply to Encouragement Bank AD.

§ 4. (1) The authorised capital of the Bank shall be the capital of Encouragement Bank AD registered in the commercial register upon entry into force of this Act.

(2) The limitations under Article 6 (4) shall not apply to the shareholders in Encouragement Bank AD having acquired shares in the Bank's capital until entry into force of this Act.

§ 5. According to this Act, the institutions from the Bank's bank group have also the status of financial institutions within the meaning of Article 44, second paragraph, letter "b", item ii of Regulation (EC) No. 1083/2006 of the Council laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No. 1260/1999.

§ 6. Exposures to the Bank and companies in which it holds over 50% of the capital and which are covered by a state guarantee shall be considered equivalent to exposures to the government of the Republic of Bulgaria.

§ 7. The Small and Medium-Sized Enterprises Act (promulgated, State Gazette, No. 84/1999; amended, SG Nos. 80 and 92/2000; No. 42/2001, No. 28/2002, No. 64/2004, Nos. 34, 59 and 80/2006, No. 53/2007) shall be amended as follows:

1. In Article 11 (2) the words "Encouragement Bank" AD" shall be replaced with "Bulgarian Development Bank".
2. Article 16 is repealed.

This Act has been adopted by the 40th National Assembly on 23 April 2008 and bears the official seal of the National Assembly.

TRANSITIONAL AND FINAL PROVISIONS
to the 2013 State Budget of the Republic of Bulgaria Act
(SG No. 102/2012, effective 1.01.2013)

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§ 77. The implementation of the present Act is assigned to the Council of Ministers.

§ 78. This Act becomes effective from the 1st of January 2013 with the exception of § 61, 68 and 73, which become effective from the date of the promulgation of the Act in the State Gazette.