



BULGARIAN
NATIONAL BANK

**INTERNAL RULES OF OPERATION OF
RESOLUTION OF CREDIT INSTITUTIONS DIRECTORATE**

Sofia, October 2017

Chapter One

GENERAL PROVISIONS

Art. 1 These Internal Rules shall regulate the structure, functions, and tasks of the Resolution of Credit Institutions Directorate (“the Directorate”) of the Bulgarian National Bank (BNB).

Art. 2 The Directorate shall organise and perform its activities in accordance with the Law on BNB, Law on Recovery and Resolution of Credit Institutions and Investment Firms (LRRCIIF), the applicable internal rules, and other regulatory acts in the area of resolution of credit institutions.

Chapter Two

STRUCTURE OF THE DIRECTORATE AND INTERACTION WITH OTHER BNB STRUCTURAL UNITS

Art. 3 (1) The Directorate shall be an independent structural unit assisting the BNB Governing Council in exercising BNB’s functions as a resolution authority for banks subject to supervision or consolidated supervision by the BNB.

(2) The operating activities of the Directorate shall be subordinated directly to the BNB Deputy Governor in charge of the Issue Department.

Art. 4 (1) The Directorate shall be managed by a Director.

(2) The Directorate shall have three divisions - *Methodology and Reporting Division, Planning, Coordination, and Performance of Resolution Activities Division, and Legal Services Division.*

Art. 5 (1) In performing its activities, the Directorate shall cooperate with other BNB structural units in accordance with the requirements for separate and independent operation pursuant to Art. 2, paragraph 2 of LRRCIIF.

(2) The regime of interaction under paragraph 1 shall be provided for in the Internal Rules on Information Exchange and Cooperation between the Resolution of Credit Institutions Directorate and other BNB structural units.

Chapter Three
FUNCTIONS AND TASKS OF THE DIRECTORATE

Section I
Functions of the Directorate

Art. 6 (1) The Directorate's functions shall be to provide expert and technical assistance to the BNB Governing Council in exercising BNB's powers as a resolution authority of credit institutions by:

1. pursuing preparatory activities in resolution planning;
2. ensuring compliance with the goals and core principles of resolution pursuant to LRRCIIF in exercising the resolution powers and in implementing the instruments under LRRCIIF;
3. participation in resolution colleges, resolution committees, intra-institutional and inter-institutional working groups on resolution issues;
4. providing assistance and coordination of preparatory and proper resolution activities with domestic and foreign institutions.

(2) The Directorate shall ensure the implementation of BNB's procedural obligations as a resolution authority for credit institutions and shall assist the Deputy Governor in charge of the Issue Department in the course of planning, preparation, and implementation of the Governing Council's decisions.

SECTION II
Tasks of the Directorate

Art. 7 With a view to the functions under Art. 6 and in pursuance with LRRCIIF, the Directorate shall perform the main tasks specified in this section.

Resolution Preparation and Planning, and Implementing Resolution Actions

Art. 8 The Directorate shall make recommendations on amendments of a recovery plan, where it contains actions that may adversely impact the possibility of resolution, in accordance with Art. 7, paragraph 3 of LRRCIIF.

Art. 9 (1) The Directorate shall develop draft resolution plans containing proposals on all of the elements of the resolution plan, including draft decisions on setting minimum requirements for own funds and eligible liabilities in line with the applicable European and national regulatory acts.

(2) For the purposes of the resolution plans, the Directorate shall prepare draft resolvability assessments, analyse and assess the impediments to resolution, and shall formulate proposals to reduce and remove them.

Art. 10 (1) The Directorate shall analyse and assess whether the resolution conditions are met, and shall participate in the preparation of the report under Art. 51 of LRRCIIF.

(2) Where conditions for resolution are met, the Directorate shall prepare draft decisions on resolution and application of resolution instruments that are most appropriate for achieving the resolution objectives on a case-by-case basis.

(3) Where the *bridge bank tool* is applied, the Directorate may make proposals on issuing a license for its activities, pursuant to Art. 61, paragraph 4 of LRRCIIF.

Coordination and Cooperation in the Area of Resolution

Art. 11 (1) The Directorate shall carry out coordination in the area of resolution with other resolution authorities, including the Single Resolution Board (SRB). The Directorate's staff shall participate in the work of resolution colleges for resolution of cross-border banking groups operating in the territory of the Republic of Bulgaria.

(2) The Directorate shall prepare draft opinions in relation to the operation of SRB, the European Banking Authority (EBA), and other institutions, agencies, and bodies of the European Union (EU) on matters of resolution of credit institutions.

(3) The Directorate's staff shall participate in committees, working groups, and sub-groups of EBA, the European Commission, the Council, and other EU institutions, agencies, and bodies on matters of resolution of credit institutions.

(4) The Directorate's staff shall participate in intra-institutional and inter-institutional working groups on matters of credit institution resolution.

(5) The Directorate shall participate in the process of preparation of inter-institutional agreements in relation to resolution of credit institutions activities.

Regulatory and Technical Tasks

Art. 12 (1) The Directorate shall prepare draft internal rules and procedures in relation to exercising BNB's powers as a resolution authority.

(2) The Directorate shall organise BNB's participation and contribution as a resolution authority in the development of draft legally binding acts of the EU and coordinates provision of information in enquiries, questionnaires, and peer reviews.

(3) The Directorate shall study and analyse the EBA - developed regulatory technical standards and implementing technical standards in the area of resolution and shall ensure their implementation, where the Governing Council has made a decision for their observation and implementation in the national resolution practice.

Art. 13 (1) The Directorate shall support the process of collection from credit institutions of up-to-date and comprehensive information needed for the preparation and review of resolution plans and for undertaking resolution activities.

(2) The Directorate shall prepare draft documents, samples, and reporting forms in relation to resolution activities.

(3) The Directorate shall draw up instructions to the banks on the implementation of the bank resolution regulatory framework and on reporting in this area of their activities, and shall provide methodological assistance at operating level.

Art. 14 The Directorate shall administrate data and document depositories in relation to the performance of BNB's functions as a resolution authority for credit institutions.

FINAL PROVISIONS

§ 1. These Internal Rules are adopted pursuant to Art. 2, paragraph 3 of the Law on Recovery and Resolution of Credit Institutions and Investment Firms (promulgated in Darzhaven Vestnik, issue 62 of 14 August 2015) by the BNB Governing Council with Decision No. 152 of 31.10.2017 and shall come into effect on 01.11.2017.

§ 2. These Internal Rules repeal the Internal Rules of Operation of Resolution of Credit Institutions Directorate, adopted with Decision No. 98 of 29.10.2015 of the BNB Governing Council.