

Law on Bank Bankruptcy*

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Chapter One

General Provisions

Subject

Article 1. (previous wording of Article 1; Darjaven Vestnik, issue 59 of 2006) (1)
This Law provides for the bankruptcy proceedings of a bank with a registered office in
the Republic of Bulgaria.

(2) (new; Darjaven Vestnik, issue 59 of 2006) Provisions of Chapter Thirteen of the
Law on Credit Institutions shall also apply with regard to bankruptcy proceedings
against a bank having branches in Member States.

Objective of Proceedings

Article 2. (1) The objective of the bankruptcy proceedings for a bank is to secure in
the shortest time practicable a fair satisfaction of the bank's depositors and other
creditors.

(2) In the bankruptcy proceedings for a bank, due regard shall be had for the
depositors and remaining creditors of the bank, as well as for the public interest in the
stability of, and confidence in the banking system.

* The English version is a translation of the original in Bulgarian for information purposes only. In
case of a discrepancy, the Bulgarian original will prevail.

Bankruptcy Estate

Article 3. (1) The bankruptcy estate shall include:

1. (amended; Darjaven Vestnik, issue 91 of 2017) the bank's property rights as of the date of the judgment to open bankruptcy proceedings, except for the assets under Article 152, paragraph 9 of the Law on Public Finance;

2. the bank's property rights acquired after the date of the judgment to open bankruptcy proceedings.

(2) (amended; Darjaven Vestnik, issue 59 of 2006, effective as of 1 January 2007) From the date of the judgment revoking the license to conduct bank activity under Article 36, paragraph 2 of the Law on Credit Institutions, the execution of deals and actions to dispose of the bank's property may not be conducted, except for ordinary expenses aimed at its preservation and management. From the same date, all actions and transactions of pursuing collection, renegotiation or securing of any claims against the bank, or execution of any money obligations, regardless of the manner of execution, shall be prohibited.

(3) Any such actions or transactions effected in contravention of the provisions of paragraph 2 shall be null and void with respect to the bankruptcy creditors.

(4) Where the bank declared to be in bankruptcy has acted as financial intermediary or commissioner on granted government or government guaranteed loans from international financial institutions and foreign countries, the government, represented by the Minister of Finance, shall be subrogated as the only creditor in relation to the final recipients of the loans.

(5) The claims against the final recipients of the loans under paragraph 4 and the rights related thereto and collateral provided shall not be a part of the estate and shall be transferred to the full disposition of the Minister of Finance.

Bankruptcy Creditors

Article 4. (1) The bankruptcy estate shall be used to satisfy all of the bank's creditors in respect of commercial and noncommercial claims that had arisen before the date of judgment to open bankruptcy proceedings against the bank, and the creditors in respect of claims for bankruptcy expenses incurred under the terms and conditions of this Law.

(2) Last to be satisfied, after the full satisfaction of creditors under Article 94, paragraph 1, items 1–8, shall be any claims originating from:

1. statutory or contractual interest on any unsecured claim, where such interest is owed after the date of the judgment to open bankruptcy proceedings against the bank;
2. any gratuitous transaction.

(3) The creditors with claims for bankruptcy expenses incurred under the terms and conditions of this Law shall be paid when due, and where such payment is not received when due, they shall be satisfied in accordance with the provisions of Article 94, paragraph 1, item 3.

Preservation of Collateral

Article 5. In the bankruptcy proceedings, the bank's creditors shall retain their rights in any collateral granted.

Summons

Article 6. (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) Unless otherwise provided for in this Law, the bank and its creditors in the bankruptcy proceedings shall be summoned in accordance with the provisions of Article 619 of the Law on Commerce.

Particularities of the Procedure

Article 7. In the bankruptcy proceedings for a bank, no meeting of creditors shall be conducted, and no rehabilitation plan may be proposed.

Chapter Two

Opening of Bankruptcy Proceedings

Section I

Commencement of the Proceedings

Grounds for Opening Bankruptcy Proceedings

Article 8. (1) (amended; Darjaven Vestnik, issue 59 of 2006) Bankruptcy proceedings against a bank shall be initiated upon revocation by the Bulgarian National Bank, hereinafter called the central bank, of the license to conduct bank activity under Article 36, paragraph 2 of the Law on Credit Institutions.

(2) (new; Darjaven Vestnik, issue 59 of 2006) Bankruptcy proceedings shall be also initiated against a bank in a liquidation procedure which is ascertained to be insolvent under Article 125 or Article 130 of the Law on Credit Institutions.

(3) (former paragraph 2, amended; Darjaven Vestnik, issue 59 of 2006) Only the central bank may petition the court to open bankruptcy proceedings against a bank.

(4) (new; Darjaven Vestnik, issue 31 of 2005; former paragraph 3, amended, Darjaven Vestnik, issue 59 of 2006) The revocation of a bank's license by the central bank on the grounds of Article 36, paragraph 2 of the Law on Credit Institutions shall not prevent the use of the funds, available at the time of revocation, on the bank's account held with the Real-time Inter-bank Gross-settlement System for discharging the obligations of that bank arising from its participation in the payment system on the day of revocation of its license, but not later than the moment of its revocation.

(5) (new; Darjaven Vestnik, issue 31 of 2005, former paragraph 4, amended, Darjaven Vestnik, issue 59 of 2006) The revocation of a bank's license on the grounds of Article 36, paragraph 2 of the Law on Credit Institutions shall not have retroactive effects on the rights and obligations of the bank arising from, or in connection with, its participation in the payment system earlier than the moment of revoking the license.

Petition to Open Bankruptcy Proceedings

Article 9. (1) The central bank's petition to open bankruptcy proceedings against a bank shall be filed in writing with the competent court.

(2) (amended; Darjaven Vestnik, issue 59 of 2006; amended; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) Only the ground or grounds under Article 36, paragraph 2 of the Law on Credit Institutions on which the license has been revoked shall be set out in the central bank's petition under paragraph 1. In the cases

under Article 125 or 130 of the Law on Credit Institutions, only the ground or grounds for insolvency on which a decision of the Governing Council of the central bank has been issued shall be set out in the petition.

(3) A certified copy of the central bank's act of revocation shall be attached to such petition.

(4) (amended; Darjaven Vestnik, issue 105 of 2005, effective as of 1 January 2006) The requirements of Articles 77 and 78 of the Tax Insurance Procedure Code shall not apply to a petition to open bankruptcy proceedings against a bank.

(5) No stamp duty shall be collected for the petition to open bankruptcy proceedings against a bank.

(6) By not later than the date of filing in court of the petition to open bankruptcy proceedings, the central bank shall provide notice of this to the Bulgarian Deposit Insurance Fund, hereinafter called the Fund, with a view to initiating preparatory actions for the appointment of an assignee in bankruptcy. Together with the notice, the central bank shall send to the Fund a copy of the list, maintained by it, of the persons who are eligible to be appointed assignees in bankruptcy of a bank.

Bankruptcy Court

Article 10. The bankruptcy court for a bank shall be the district court where the headquarters of the bank is located.

Examination of the Petition

Article 11. (1) (amended; Darjaven Vestnik, issue 59 of 2006) If a petition in bankruptcy is proper, the court shall institute a case on the date it is received and shall set a session not later than 15 days after the date of instituting the case.

(2) The court shall examine the petition with the participation of a public prosecutor in a closed-door session, with the summoning of the central bank, the bank, and the Fund.

(3) (amended; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) The bank against which a petition to open bankruptcy proceedings has been filed shall be represented during the case by the conservators appointed by the central bank or by temporary assignees in bankruptcy or authorized persons under Article 12, paragraph 1, item 2.

(4) (new; Darjaven Vestnik, issue 59 of 2006) Shareholders holding more than 5 per cent of the bank capital as of the date of revoking the license to conduct bank activity may participate in the procedure of examining the central bank's petition.

(5) (new; Darjaven Vestnik, issue 59 of 2006) If the central bank's act under Article 9, paragraph 3 has entered into force, the court shall initiate bankruptcy proceedings against a bank.

(6) (new; Darjaven Vestnik, issue 59 of 2006) If the central bank's act under Article 9, paragraph 3 has not entered into force due to judicial appeal, the court shall suspend the proceedings until the end of the administrative legal controversy. The suspension of the proceedings shall not be an impediment to impose preliminary security measures.

(7) (former paragraph 4, amended, Darjaven Vestnik, issue 59 of 2006) The central bank, the bank, and the Fund shall be summoned in accordance with the Civil Procedure Code not later than three days before the date set for the session.

(8) (former paragraph 5, amended, Darjaven Vestnik, issue 59 of 2006) The court shall enter its judgment within a seven-day period after the session in which the examination of the case is completed.

Preliminary Security Measures

Article 12. (1) (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) Prior to entering a judgment on the central bank's petition to open bankruptcy proceedings, the court:

1. acting on a petition from the central bank or the Fund, may:

(a) allow the measures under Article 13, paragraph 1, item 5;

(b) suspend any court and arbitration cases against the bank's property;

(c) allow any other measure prescribed by law to secure the bank's available property.

2. (amended; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) acting on a petition from the Fund, shall appoint a temporary assignee in bankruptcy proposed by the Fund.

(2) (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) The court shall have the duty to examine the petition under paragraph 1 not later than the day following the date of receipt of the respective petition of the central bank or the Fund. The court shall appoint the temporary assignee in bankruptcy proposed by the Fund within the term under the previous sentence where he/she has given his/her written consent to this and meets the requirements under Article 25.

(3) The security measures ordered by the court shall be for the benefit of all creditors of the bankruptcy estate.

(4) The court's decision to impose the measures shall be brought into execution without delay and shall not be subject to appeal.

(5) The court's determination to impose the measures shall be announced to such entities as may be affected thereby and to the entity that requested their imposition.

(6) (new; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) Appointment of a temporary assignee in bankruptcy shall put an end to the powers of conservators.

(7) (new; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015; amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) The ruling of the court on appointment of a temporary assignee in bankruptcy, as well as the names of the persons appointed as temporary assignees shall be entered in the Commercial Register. Changes in the circumstances under the previous sentence shall also be entered in the Commercial Register. The court's ruling shall also be sent to the central bank.

(8) (previous wording of paragraph 6; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) The security measures shall be considered terminated when the petition to open bankruptcy proceedings is rejected with a judgment that has entered into force.

(9) (previous wording of paragraph 7; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) The imposed security measures shall have effect until the date of the court judgment opening bankruptcy proceedings. From this date, their effect shall be superseded by the effect of the judgment opening the bankruptcy proceedings. The court may order new security measures, as well as extend the effect of the measures already imposed under this Article.

Temporary Assignee in Bankruptcy

Article 12a. (new; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) (1) A temporary assignee in bankruptcy appointed by the court shall perform his functions until the appointment of an assignee in bankruptcy under Article 26. The Fund shall determine the current remuneration of the temporary assignee in bankruptcy under Article 30, paragraph 7, which is paid on a monthly basis for the account of the bank. The temporary assignee in bankruptcy shall obtain insurance under Article 663a of the Law on Commerce. Relations between the temporary assignee in bankruptcy and the Fund shall be contractually established.

(2) The temporary assignee in bankruptcy shall be empowered to:

1. represent the bank with a revoked licence;
2. manage the bank's current activities;
3. preserve, enhance, and manage the property of the bank;
4. receive, in accordance with an inventory, preserve, and maintain the bank's commercial books and commercial correspondence;
5. inquire about and identify the bank's property;
6. in the circumstances provided for by the Law, demand termination, rescission, or annulment of transactions to which the bank is a party;
7. participate in proceedings to which the bank is a party and bring cases on the bank's behalf;
8. (amended; Darjaven Vestnik, issue 41 of 2015, effective as of 5 June 2015) collect the bank's monetary claims, including in the cases where he seeks to obtain a writ of immediate execution under the procedure of Article 418 of the Civil Procedure Code on the basis of a statement of account;
9. subject to the permission of the Fund, dispose of the bank's cash funds, including amounts in bank accounts of which the bank is a holder, if this is necessary in connection with the management and preservation of the bank's property or in incurring other expenses;
10. suspend the actions and transactions effected in contravention of the provisions of Article 3, paragraph 2 of this Law or under Article 116, paragraph 2, items 2–4 of the Law on Credit Institutions;
11. file claims under Article 59, paragraph 3 or 5, Article 60 and 60a of this Law and Article 135 of the Law on Obligations and Contracts and applications on collateral thereof, and the terms under Article 60, paragraphs 1 and 2 shall be calculated with regard to the date on which the bank was placed under conservatorship in line with the terms and conditions of Chapter Eleven, Section VIII of the Law on Credit Institutions, including a measure imposed under Article 116, paragraph 2, item 2 therein;

12. (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) subject to the consent or at the proposal of the Fund's Management Board, entrust to persons having international experience in investigating bank failures to perform traceability and to recommend actions to the temporary assignee in bankruptcy to preserve and recover bank assets which have been illegally disposed of, in violation of good bank practices and/or where assets given significantly exceed those received, as well as in the cases of insufficiently collateralised or unsecured loans or loans extended to related entities where these deals or transactions have worsened the bank financial performance. The contract under the previous sentence may not contain confidentiality provisions limiting the public access thereto under the procedure set in this Law. Within seven days upon signing the contract and/or annexes and appendices thereto, the temporary assignee in bankruptcy shall announce on his webpage information about the subject, contractor, its international experience, deadline and penalties, if any. The temporary assignee shall, notwithstanding the contractual confidentiality provisions, publish in Bulgarian on his webpage the report of the contractors under this item upon its adoption, excluding claim performance recommendations made in the report.

(3) The temporary assignee in bankruptcy shall be removed from office by the court at any time upon a proposal by the Fund in line with Article 29, paragraph 1. The provisions of Article 12, paragraph 2 shall be respectively applicable.

(4) (amended; Darjaven Vestnik, issue 41 of 2015, effective as of 5 June 2015) The provisions under Article 31, paragraph 2, Articles 32–37, Article 41, paragraph 1, items 1–3, 5 and 6, paragraph 2, items 1–5 and paragraphs 3–6, Article 57, Article 59, paragraph 7 and Article 60, paragraph 4 shall be respectively applicable to the temporary assignee in bankruptcy.

(5) All employees of the bank, government bodies and organizations shall provide assistance to the temporary assignee in bankruptcy in exercising his powers.

(6) The temporary assignee in bankruptcy shall submit to the Fund weekly reports of all his actions in exercising the powers under paragraph 2. The Fund shall publish these reports without delay on its website, except the information protected by law. The reports shall also be submitted to the Minister of Finance.

Section II

Issuance of the Judgment

Judgment to Open Bankruptcy Proceedings

Article 13. (1) (amended; Darjaven Vestnik, issue 59 of 2006) If the central bank's petition meets the requirements of Article 9, paragraphs 2 and 3, and provided the conditions under Article 11, paragraph 5 are present, the court shall, with its judgment:

1. declare the bank's insolvency and determine its initial date;
2. open bankruptcy proceedings against the bank;
3. declare the bank to be in bankruptcy and to cease its operations;
4. terminate the powers of the bank's governing bodies;
5. impose a general attachment and freeze on the bank's property;
6. deprive the bank of the right to manage and dispose of the property comprised in the bankruptcy estate;

7. order the commencement of liquidation of property comprised in the bankruptcy estate and the distribution of liquidated property.

(2) A judgment to open bankruptcy proceedings against a bank shall be brought into execution immediately from the date of issuance.

(3) A judgment to open bankruptcy proceedings against a bank shall have effect with respect to all.

(4) (amended; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) On the date of issuing a judgment to open bankruptcy proceedings, or on the next business day at the latest, the court shall have the duty to send a copy of the judgment to the central bank, the Fund, and to the conservators, temporary assignees in bankruptcy, respectively, of the bank declared in bankruptcy.

Judgment Rejecting a Petition to Open Bankruptcy Proceedings

Article 14. (amended; Darjaven Vestnik, issue 59 of 2006) The court shall reject a petition to open bankruptcy proceedings if it does not meet the requirements under Article 9, paragraphs 2 and 3 or if the central bank's act under Article 9, paragraph 3 is repealed following an enforced judgment.

Entry of Court Judgments

(amended; Darjaven Vestnik, issue 34 of 2006)

Article 15. The judgment under Article 13, paragraph 1 shall be entered in the Commercial Register.

Appeal of Judgments

Article 16. (amended; Darjaven Vestnik, issue 59 of 2007, effective as of 1 March 2008) (1) (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) Court judgments under Article 13, paragraph 1 and Article 14 shall be subject to appellate and cassation appeal under the general procedure. The term of the appellate appeal shall be seven days. The bank's conservators or temporary assignees in bankruptcy and the central bank shall have the right to appeal, and the prosecutor shall have the right to protest.

(2) An appeal against a judgment under Article 13, paragraph 1 shall not suspend its execution.

(3) The Court of Appellate Jurisdiction shall commence the case on the day of receipt of the appeal, or on the next business day at the latest, and shall review the appeal and rule on it within a one-month period after commencement of the case.

(4) When the judgment to open bankruptcy proceedings is reversed, all consequences arising from the effect of the judgment shall be extinguished from the effective date of the judgment to reverse, and the powers of the bankruptcy bodies shall be terminated.

(5) The judgment reversing any judgment under Article 13, paragraph 1 or Article 14 shall be entered in the Commercial Register.

Section III

Effect of Judgment to Open Bankruptcy Proceedings

Date of Opening Bankruptcy Proceedings

Article 17. (1) The bankruptcy proceedings against a bank shall be deemed to have been opened from the date of the relevant court judgment under Article 13, paragraph 1. If on that same date, any of the actions under Articles 18, 19, 20, 21, and 22 are taken, such actions shall be deemed to have been taken after the opening of the bankruptcy proceedings.

(2) The foreign currency claims of the bank's creditors shall be converted into levs using the Bulgarian National Bank exchange rate as of the date of judgment to open the bankruptcy proceedings.

(3) From the date of the judgment to open bankruptcy proceedings all limitation periods and preclusive periods regarding any of the bank's rights shall be suspended for six months.

Right to Management and Disposition of the Bank's Property

Article 18. (1) From the date of a judgment to open bankruptcy proceedings against a bank, only the assignee in bankruptcy shall have the right to manage and dispose of the rights included in the bankruptcy estate.

(2) (amended; Darjaven Vestnik, issue 59 of 2006) From the opening of the bankruptcy proceedings to the assignee's in bankruptcy assumption of office, the conservators appointed by the central bank under the Law on Credit Institutions may only take such actions as are intended to preserve the bankruptcy estate.

Performance of Obligations to the Bank

Чл. 19. (1) (amended; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015; amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) From the date of the judgment to open the bankruptcy proceedings, performance of an obligation to the bank shall be received by the assignee in bankruptcy or, until his assumption of office, by the conservators or temporary assignees in bankruptcy.

(2) (amended; Darjaven Vestnik, issue 34 of 2006) The performance of an obligation to the bank effected other than in accordance with paragraph 1 after the date of the judgment to open bankruptcy proceedings shall not extinguish the obligation, unless it is made prior to the date of entry in the Commercial Register of the judgment and only if the obligor had no knowledge of the opening of the procedure and what was given by him has entered into the bankruptcy estate.

Suspension of Judicial Proceedings

Article 20. (1) Upon the opening of bankruptcy proceedings against a bank, all judicial or arbitration proceedings in property civil or commercial cases against the bank shall be suspended.

(2) Proceedings so suspended shall be terminated on the date of issuance of the judgment under Article 67, paragraph 2 if the subject claim in such proceedings is included in the court-approved list of claims accepted by the assignee in bankruptcy and against which no objections have been made.

(3) Proceedings so suspended shall be resumed and shall proceed with the participation of:

1. (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) the assignee in bankruptcy and the creditor concerned, if the subject claim is not included in the list of claims accepted by the assignee in bankruptcy under Article 66, paragraph 7, item 1, or in the list approved by the court under Article 67, paragraph 2;

2. (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) the assignee in bankruptcy, the creditor concerned, and the entity who has filed an objection, if the claim is included in the list of claims accepted by the assignee in bankruptcy but an objection under Article 66, paragraph 6 has been made against it.

(4) The judgment issued under paragraph 3 shall have the effect of a declaratory judgment with respect to the bank, the assignee in bankruptcy, and all of the bankruptcy creditors.

Suspension of Execution Proceedings

Article 21. (1) (amended; Darjaven Vestnik, issue 59 of 2006, effective as of 1 January 2007; amended; Darjaven Vestnik, issue 105 of 2011) From the date of publication in the Commercial Register of the central bank's decision to revoke a bank's license under Article 36, paragraph 2 of the Law on Credit Institutions, all execution proceedings pending against the property included in the bankruptcy estate shall be suspended.

(2) (amended; Darjaven Vestnik, issue 105 of 2005, effective as of 1 January 2006) In bankruptcy proceedings against banks, the provisions of Article 193 of the Tax Insurance Procedure Code and of Article 43 of the Law on Registered Pledges shall not be applicable.

(3) (amended; Darjaven Vestnik, issue 105 of 2011) If after the date of publication in the Commercial Register of the decision to revoke the license of a bank to conduct bank activity any payment is made to a petitioner in execution proceedings against the bank, the amount so paid shall be returned to the bankruptcy estate unless the payment was made under the terms of Chapter Eight.

(4) The execution of a creditor's claim secured by a registered pledge on property or property right of the bankruptcy estate shall continue pursuant to the Law on Registered Pledges after such creditor's claim is accepted in the bank's bankruptcy proceedings.

Nullity of Actions and Transactions

Article 22. (1) Any of the following effected after the date of the judgment opening the bankruptcy proceedings and in contravention of the procedures set out in such judgment or in violation of the provisions of this Law shall, with respect to the bankruptcy creditors, be null and void:

1. performance of an obligation of the bank which had arisen before the date of the judgment to open bankruptcy proceedings;

2. creation of a pledge or mortgage against any right or property of the bankruptcy estate;

3. transaction in any right or property of the bankruptcy estate.

(2) The performance by the bank of the following actions and transactions after the initial date of the insolvency shall be considered null and void with respect to the bankruptcy creditors:

1. performance of a financial obligation, regardless of the manner of performance;
2. gratuitous transaction with any right or property of the bankruptcy estate;
3. creation of pledge or mortgage or any other collateral on a right or property of the bankruptcy estate;
4. nongratuitous transaction in a right or property of the bankruptcy estate, where the consideration substantially exceeds the value received.

Obligations Due and Payable

Article 23. (1) All of the bank's monetary and nonmonetary obligations shall become payable from the date of the judgment under Article 13, paragraph 1.

(2) The nonmonetary obligations shall be converted into monetary obligations at their market value as of the date of the judgment under Article 13, paragraph 1.

Imposition of General Freeze and Attachment and Their Entry

Article 24. (1) From the date of issuance of the court judgment under Article 13, paragraph 1, all of the bank's real estate shall be deemed to be attached, and all of its movables and claims of the bank against third parties shall be deemed to be frozen.

(2) (amended; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006) The imposed general attachment on the bank's real estate and ships shall be entered in notary registers or, respectively, ship registers, on the basis of the judgment to declare the bank in bankruptcy that is entered in the Commercial Register.

Chapter Three

Bankruptcy Bodies

Section I

Assignee in Bankruptcy

Requirements

Article 25. (1) An assignee in bankruptcy of a bank may only be a physical person who satisfies the following requirements:

1. not have been previously convicted, having attained legal age, of any premeditated criminal offence of general nature;
2. hold a higher-education degree in economics or law and have practical experience in such specialty for a minimum of five years, of which three years are in banking, accountancy or finance, or respectively, in commercial, banking or financial law;
3. be a person of good professional reputation;
4. not have served, in any of the five years prior to the opening of the bankruptcy proceedings against the bank, as a member of the bank's managing or controlling bodies;
5. not have, nor have ever had, the right to hold positions of financial responsibilities revoked;

6. not be the spouse or relative in a direct line, in a lateral line to the sixth degree inclusive, or by marriage to the third degree inclusive, of any member of a managing or controlling body of the bank having served as such in any of the three years prior to the date of the judgment to open the bankruptcy proceedings;

7. not have any commercial, financial, business, or other material interests in the bank declared in bankruptcy;

8. not have a relationship with the bank or any of its creditors in any manner that may create reasonable doubts about his impartiality;

9. not be a creditor in the bankruptcy proceedings against the bank, nor the spouse of such creditor or his relative in a direct line, in a lateral line to the sixth degree inclusive, or by marriage to the third degree inclusive;

10. not be a bankruptcy debtor who has not had his rights restored;

11. not be a provisional assignee in bankruptcy or assignee in bankruptcy of another business;

12. be in the list maintained by the central bank for the persons who may be bank assignees in bankruptcy;

13. (amended; *Darjaven Vestnik*, issue 33 of 2016, effective as of 26 April 2016) not have been during the last two years prior to the ruling on insolvency a member of an executive or controlling body, or a partner with unlimited liability, in a company where the company has been terminated because of bankruptcy, if unsatisfied creditors have remained.

(2) The circumstances under paragraph 1 shall be established as follows:

1. (new; *Darjaven Vestnik*, issue 103 of 2017, effective as of 1 January 2018) under item 1 – ex officio by the Bulgarian Deposit Insurance Fund;

2. (former item 1, amended, *Darjaven Vestnik*, issue 103 of 2017, effective as of 1 January 2018) under item 2 – by the respective official certifying document;

3. (former item 2; amended; *Darjaven Vestnik*, issue 103 of 2017, effective as of 1 January 2018) under items 4–13 – by a written declaration of the person asserting compliance with the requirements under the foregoing items, submitted to the Management Board of the Fund on the date of his appointment as assignee in bankruptcy.

(3) (amended; *Darjaven Vestnik*, issue 22 of 2015, effective as of 24 March 2015) The powers of a bank assignee in bankruptcy, including a temporary assignee in bankruptcy, shall be performed by at least two persons.

(4) The Bulgarian Deposit Insurance Fund shall have the right, in its discretion and at any time, to examine compliance with the conditions established in paragraph 1.

(5) So long as the other requirements stated under this Article are met, assignees in bankruptcy may also be the conservators of the bank, provided that they have not been appointed by the central bank prior to the order to revoke the license to conduct bank activity.

Appointment of Assignee in Bankruptcy

Article 26. (1) (amended; *Darjaven Vestnik*, issue 22 of 2015, effective as of 24 March 2015) The Bulgarian Deposit Insurance Fund shall appoint as assignee in bankruptcy for the bank persons from the list maintained by the central bank, on the date of receipt, pursuant to Article 13, paragraph 4, of a copy of the judgment to open

bankruptcy proceedings against the bank, or on the following business day at the latest. The Fund may appoint a temporary assignee as an assignee in bankruptcy. The list under the previous sentence shall be published on the website of the central bank.

(2) The assignee in bankruptcy shall be appointed by the decision of the Fund's Management Board, if:

1. the persons selected to exercise his powers have consented to this in writing before the Management Board;

2. (amended; Darjaven Vestnik, issue 103 of 2017, effective as of 1 January 2018) the persons selected to exercise his powers have submitted declarations pursuant to Article 25, paragraph 2, item 3; and

3. no information has been received that the persons selected to exercise the powers of assignee in bankruptcy are not qualified under this Law to be assignee in bankruptcy of the bank.

(3) The decision to appoint an assignee in bankruptcy must refer to the date, court panel, and case number of the court judgment to open bankruptcy proceedings, and the full name and exact address of the persons appointed as assignees in bankruptcy, the initial amounts of their monthly remuneration, and the amount of their performance guaranty.

(4) The decision to appoint an assignee in bankruptcy shall be brought into execution without delay from the date of issuance.

(5) (amended; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006) The decision to appoint an assignee in bankruptcy of a bank and the name and address of the persons appointed as assignee in bankruptcy shall be entered in the Commercial Register.

(6) (amended; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006) The chairperson of the Fund shall, on the day of issuance of the decision under paragraph 2, send a copy of the decision to the persons appointed as assignee in bankruptcy of the bank declared in bankruptcy and to the central bank. The chairperson shall have the duty to request, on that same day, the entry in the Commercial Register of the circumstances under paragraph 5.

(7) (repealed; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006)

Assignee's Assumption of Office

Article 27. (1) The persons appointed as assignee in bankruptcy must assume office not later than two business days following the date of receipt of a copy of the decision under Article 26, paragraph 2.

(2) Prior to the assignee's assumption of office, management contracts shall be concluded between the persons appointed as assignee in bankruptcy and the Fund. The contracts shall specify the rights and obligations of the persons appointed as assignee in bankruptcy, the method of calculation and payment of their remuneration, and the other elements of the legal relationship between the persons and the bank declared in bankruptcy.

Assignee's Performance Guaranty

Article 28. (1) On the day of assuming office, the persons appointed as assignee in bankruptcy shall present a guaranty for their performance in an amount determined by the Fund, but not smaller than their initial gross quarterly remuneration.

(2) The guaranty under paragraph 1 shall be provided in the form of a monetary deposit with a bank determined by the Fund. The monetary deposit shall be frozen until the occurrence of the conditions in paragraphs 3 or 4.

(3) The guaranty serves to compensate for damages caused by the assignee in bankruptcy to the bankruptcy estate.

(4) The guaranty shall be released upon the expiration of six months after the assignee in bankruptcy has been removed from office, provided that within this time period no claims have been filed against the assignee in bankruptcy to recover damages to the bankruptcy estate.

Removal of Assignee in Bankruptcy

Article 29. (1) The Bulgarian Deposit Insurance Fund shall remove an assignee in bankruptcy from office and terminate the contract under Article 27, paragraph 2 upon the occurrence of one or more of the following conditions:

1. a written request by a person appointed as assignee in bankruptcy, addressed to the Management Board of the Fund;

2. placing of the person appointed as assignee in bankruptcy under judicial disability;

3. if a person appointed as assignee in bankruptcy has not qualified, or has subsequently ceased to qualify, with the requirements of Article 25;

4. actual inability of one of the persons appointed as assignee in bankruptcy to exercise his powers;

5. death of one of the persons appointed as assignee in bankruptcy;

6. if one of the persons appointed as assignee in bankruptcy is removed from the list maintained by the central bank;

7. (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) at the Fund's discretion or at a proposal by the Minister of Finance, if the assignee in bankruptcy does not perform his obligations or his actions jeopardize the creditors' interests.

(2) An assignee in bankruptcy shall be removed from office, and the contract with him terminated, by the decision of the Management Board of the Fund.

(3) (amended; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006) The fact of the removal of the assignee in bankruptcy shall be entered in the Commercial Register.

(4) (amended; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006) The chairperson of the Fund shall on the day of issuance of the decision under paragraph 2, send a copy of the decision to the bank declared in bankruptcy and to the central bank, as well as to the Registry Agency.

(5) (repealed; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006)

(6) The Management Board of the Fund shall appoint a new assignee in bankruptcy on the day of its decision under paragraph 2 and in this case the terms and procedure of Article 26 shall be met.

(7) The assignee in bankruptcy removed under paragraph 1, items 1, 3, 6, and 7, shall have the duty to continue in office until the newly appointed assignee in bankruptcy assumes office.

Assignee's Remuneration

Article 30. (1) An assignee's remuneration shall be determined by the decision of the Management Board of the Fund.

(2) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) When appointing an assignee in bankruptcy, the Fund's Management Board shall determine an initial monthly remuneration for the persons appointed as assignee in bankruptcy for the period prior to the initiation of the liquidation procedure provided for in the approved plan for liquidation of the bankruptcy estate's property. The initial remuneration shall be a fixed sum which does not depend on both the amount of the bankruptcy estate's property liquidated by the assignee and collected claims, and which may not be lower than ten minimum wages and higher than 30 minimum wages.

(3) Following the expiration of the period under paragraph 2, the monthly remuneration for the persons appointed as assignee in bankruptcy shall be determined as a percentage of the total amount of property of the bankruptcy estate liquidated by the assignee in bankruptcy for the respective month and the collection of claims owed to the bank during the month.

(4) The determined monthly remuneration for the persons appointed as assignee in bankruptcy may, by a unilateral decision of the Management Board of the Fund, be reduced for a certain period on the occurrence of one or several of the following conditions:

1. if the assignee in bankruptcy has incurred during the respective month expenses in the bankruptcy proceedings that have not been provided for in the monthly budget of the bankruptcy expenses approved by the Fund and for which the assignee in bankruptcy had not received approval by the Fund. In such case, the remuneration for the persons appointed as assignee in bankruptcy, shall be reduced by a certain portion of the amount of the improperly incurred expenses;

2. if the assignee in bankruptcy has disposed of property or other property right included in the bankruptcy estate under terms and conditions other than as provided in this Law.

(5) The decision of the Management Board of the Fund to reduce the remuneration for persons appointed as assignee in bankruptcy shall be subject to appeal to the bankruptcy court within a seven-day period from the notification of the persons appointed as assignee in bankruptcy of such decision.

(6) In the circumstances under paragraph 4, the remuneration of the persons appointed as assignee in bankruptcy shall be deemed to have been reduced from the date the Management Board decision enters into force, without the necessity of signing an annex to the contract under Article 27, paragraph 2.

(7) The mechanism for determining remuneration of the assignee in bankruptcy and the procedure for reducing remuneration shall be established in an ordinance issued by the central bank.

Powers of Assignee in Bankruptcy

Article 31. (1) An assignee in bankruptcy shall have the following powers:

1. represent the bank declared in bankruptcy;
2. manage the bank's current activities;
3. preserve, enhance, and manage the property included in the bankruptcy estate;
4. receive in accordance with an inventory, preserve, and maintain the bank's commercial books and commercial correspondence;
5. inquire about and identify the bank's property;
6. in the circumstances provided for by the Law, demand termination, rescission, or annulment of transactions to which the bank is a party;
7. participate in proceedings to which the bank is a party and bring cases on the bank's behalf;
8. collect the bank's monetary claims;
9. prepare and implement, after approval by the Fund, a monthly budget concerning the expenses of the bank's bankruptcy proceedings;
10. subject to the permission of the Fund, dispose of the bank's cash funds, including amounts in bank accounts of which the bank is a holder, if this is necessary in connection with the management and preservation of the bank's property or in incurring other expenses related to the bankruptcy proceedings;
11. inquire about and identify the bank's creditors and prepare lists of claims against the bank under the procedure of this Law;
12. take action to terminate and liquidate the bank's interests in commercial companies;
13. prepare a liquidation plan for the property in the bankruptcy estate and submit such plan to the Fund for approval;
14. liquidate the property in the bankruptcy estate in accordance with the approved plan under item 13;
15. distribute the cash proceeds in accordance with the provisions of this Law;
16. deposit the cash funds obtained from the liquidation of the property of the bankruptcy estate or from the collection of claims of the bank in special lev accounts or, for foreign currency amounts, in special accounts in the respective currency;
17. (new; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015; amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) subject to the consent or at the proposal of the Fund's Management Board, entrust to persons having international experience in investigating bank failures to perform traceability and to recommend actions to the assignee in bankruptcy to preserve and recover bank assets which have been illegally disposed of, in violation of good bank practices and/or where assets given significantly exceed those received, as well as in the cases of insufficiently collateralised or unsecured loans or loans extended to related entities where these deals or transactions have worsened the bank financial performance. The contract under the previous sentence may not contain confidentiality provisions limiting the public access thereto under the procedure set in this Law. Within seven days upon signing the contract and/or annexes and appendices thereto, the assignee in bankruptcy shall announce on his webpage information about the contractor, its international experience, deadline and penalties, if any. The assignee shall,

notwithstanding the contractual confidentiality provisions, publish in Bulgarian on his webpage the report of the contractors under this item upon its adoption, excluding claim performance recommendations made in the report. The assignee may also assign the actions under sentence one to the person under Article 12a, paragraph 2, item 12, designated by the temporary assignee;

18. (new; issue 33 of 2016, effective as of 26 April 2016) carry out the actions under Article 62, paragraphs 12 and 13 of the Law on Credit Institutions;

19. (former item 17; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015; former item 18; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) take other actions as provided for in this Law and the legislative acts for its application.

(2) The powers of an assignee in bankruptcy shall obligatorily be exercised jointly by the persons appointed as assignee in bankruptcy, and as well, decisions shall be made unanimously and actions shall be performed jointly.

(3) (new; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015; amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The assignee may at his sole discretion authorise persons to represent him in proceedings to which he or the bank is a party, or to institute such proceedings.

Restriction on Powers

Article 31a. (new; Darjaven Vestnik, issue 22 of 2018) Before the date of opening of the procedure for liquidation of the bank's property, the temporary assignee in bankruptcy and the assignee in bankruptcy shall not have the right to deregister collateral established by debtors, except in cases where the bank's claim has been repaid in full through a cash payment.

Reporting Requirements

Article 32. (1) An assignee in bankruptcy shall record, in a special journal with pages numbered serially and kept together by string and seal, each of his actions relating to the management, preservation or liquidation of the rights of the bankruptcy estate, and the distribution of the collected cash funds.

(2) Each month, and immediately upon request, the assignee in bankruptcy shall submit to the Fund reports of a type and content determined by the Management Board. At the request of creditors, the assignee in bankruptcy may provide creditors with any other information related to his actions.

(3) (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) Each bank creditor may review the journal under paragraph 1 and the reports under paragraph 2. The assignee in bankruptcy shall, with the Fund's approval, determine the place and time for review of the documents under paragraphs 1 and 2. At the request of creditors, the assignee in bankruptcy may also submit another information related to his auctions.

(4) The Bulgarian Deposit Insurance Fund may, at any time, examine the veracity of the documents under paragraphs 1 and 2 and require from the assignee in bankruptcy further accounting or other documentation, as well as perform on-site inspection.

(5) (amended; Darjaven Vestnik, issue 67 of 2008) The liquidation balance sheet and other accounting reports prepared by the assignee in bankruptcy shall not be subject to audit and certification by a chartered auditor.

(6) (new; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015; amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The assignee in bankruptcy shall submit to the Fund monthly reports of his actions in exercising the powers under Article 31, paragraph 1. The Fund shall immediately publish these reports on its website, excluding the information protected by law. The reports shall also be sent to the Minister of Finance.

Obligations of the Assignee in Bankruptcy

Article 33. (1) An assignee in bankruptcy shall exercise his powers with the care of a good merchant and place the creditors' interests above his own and meet the requirements of this Law and the legislative acts for its application.

(2) An assignee in bankruptcy shall exercise his powers as necessary in view of the progress of the bankruptcy proceedings, taking heed of the objectives of this Law, and in accordance with the directions and instructions issued by the Fund under Article 39, paragraph 1, item 14.

(3) An assignee in bankruptcy shall have the duty to deposit in the special accounts under Article 31, paragraph 1, item 16 the cash funds received from the liquidation of property included in the bankruptcy estate or from collecting the bank's claims on the same day as such cash funds are received or on the next business day at the latest.

(4) An assignee in bankruptcy shall have the duty not to divulge any information, data or facts that may come to his knowledge in connection with the exercise of his powers.

Restrictions

Article 34. (1) An assignee in bankruptcy may not enter contracts or agreements in the name of the bank either with himself personally or with any other entity that he may represent.

(2) The persons appointed as assignee in bankruptcy may not acquire, in any way whatsoever, whether directly or through another entity, any property or right from the bankruptcy estate. This restriction shall apply as well to the spouses of the persons appointed as assignee in bankruptcy, their relatives in a direct line, in a lateral line to the sixth degree inclusive, and by marriage to the third degree inclusive.

(3) Where an entity related to the assignee in bankruptcy is a party to a transaction whereby such third party acquires a property or right from the bankruptcy estate, the assignee in bankruptcy shall be deemed to have acquired the property or right through a third party.

(4) Transactions effected in violation of paragraphs 1–3 shall be null and void with respect to the bankruptcy creditors.

(5) The persons appointed as assignee in bankruptcy shall present to the Fund a declaration concerning the persons related to them every six months.

Liability

Article 35. (1) When an assignee in bankruptcy does not exercise his powers with due care or fails to perform his obligations, the Fund shall impose a fine under the procedure of Chapter Ten.

(2) An assignee in bankruptcy shall owe damages in the amount of the statutory interest rate for the period for which he has delayed depositing any of the received cash funds into the special accounts under Article 31, paragraph 1, item 16.

(3) The damages owed by the assignee in bankruptcy under paragraph 2 may be set off against the respective part of the due remuneration of the persons appointed as assignee in bankruptcy. The setoff statement shall be addressed to a person appointed as assignee in bankruptcy in writing by the chairperson of the Fund pursuant to a decision of the Fund's Management Board, such decision to set out the period of delay caused by the assignee in bankruptcy, the amount of the cash funds not paid on time, the amount of statutory interest owed in respect of the nondeposited amounts, and written evidence establishing the assignee's in bankruptcy violation of Article 33, paragraph 3.

(4) An assignee in bankruptcy shall owe damages in respect of any wrongfully caused harm in carrying out his powers. The damages shall be incorporated into the bankruptcy estate.

(5) Liability of the persons appointed as assignee in bankruptcy under paragraphs 2 and 4 of this Article shall be joint and several.

Assignee's Report upon Removal from Office

Article 36. (1) Upon his removal an assignee in bankruptcy shall, within a 14-day period after the date of the decision to remove, submit a written report to the Fund and to the central bank.

(2) The newly appointed assignee in bankruptcy may raise objections to such report before the Fund within a seven-day period after its submission.

(3) Within a seven-day period after expiration of the period under paragraph 2 the Management Board of the Fund shall rule on the submitted report with a decision that is not subject to appeal.

Delivery of the Commercial Books and Property

Article 37. Upon his removal from office, an assignee in bankruptcy shall have the duty to deliver, without delay and in accordance with an inventory, the commercial books and the property under his management to the newly appointed assignee in bankruptcy or to such other person as the chairperson of the Fund may designate. Such delivery shall be carried out through a statement of the performed inventory signed by the assignee in bankruptcy removed from office and by the assignee in bankruptcy newly appointed. Such statement shall be prepared in the presence of representatives of the Fund.

Section II

Bulgarian Deposit Insurance Fund

Functions of the Fund

Article 38. In the bankruptcy proceedings of a bank the Fund shall protect the interests of the creditors and exercise control on the lawful and appropriate exercise of the assignee's powers.

Powers of the Fund

Article 39. (1) The Fund shall have the power to:

1. appoint and remove an assignee in bankruptcy of the bank and establish the amount of guaranty under Article 28;
2. determine the assignee's in bankruptcy remuneration;
3. conclude management contracts with the persons appointed as assignees in bankruptcy;
4. approve the expense budgets relating to bankruptcy estate and monitor its implementation;
5. grant prior permission to the assignee in bankruptcy to incur extraordinary expenses in the bankruptcy proceedings;
6. grant prior permission to an assignee in bankruptcy for disposal of the bank's cash funds;
7. (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) grant prior permission to the assignee in bankruptcy for each action or transaction where the property interest exceeds BGN 10,000 and establish the conditions under which such action or transaction is executed. No authorisation shall be required by the Fund for paying government and other charges on actions for replenishing the bankruptcy estate in line with the tariffs adopted by the Council of Ministers;
8. approve the plan for the liquidation of the bankruptcy estate's property and monitor its implementation;
9. grant permission to the assignee in bankruptcy to undertake actions for liquidation of property or other property rights comprised in the bankruptcy estate designated by the assignee in bankruptcy, and permit alternative actions to dispose of such rights of the bankruptcy estate;
10. issue orders to assign such property or property rights comprised in the bankruptcy estate as have been sold in pursuance of Chapter Six;
11. approve partial distribution accounts prepared by the assignee in bankruptcy, as well as the final distribution account;
12. grant permissions to conclude agreements under the Law on Obligations and Contracts, Article 65, paragraphs 2 and 3, Articles 99, 101, 102, or 107 regarding any of the bank's claims;
13. (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) bring before the bankruptcy court reversal claims under Article 59, paragraph 3 or 5, Article 60 and Article 60a, assertion claims under Article 3, paragraph 3, Article 22 and Article 34, paragraph 4 and compensation claims against an assignee in bankruptcy for damages incurred in carrying out his duties;

14. issue methodological instructions to the assignee in bankruptcy relating to the exercise of his powers;

15. impose sanctions on an assignee in bankruptcy pursuant to Article 41;

16. assign inspections and collection of information pursuant to Article 40;

17. make decisions to address setoff statements under Article 35, paragraph 3;

18. (new; Darjaven Vestnik, issue 50 of 2015; amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) extend the term under Article 50, paragraph 1, Article 52, paragraph 1, Article 64, paragraph 1, Article 66, paragraph 7, Article 78, paragraph 1 and Article 79, paragraph 1 upon a grounded request by the assignee in bankruptcy; the request shall be submitted prior to expiration of the term.

19. (new; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015; repealed, Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016)

20. (previous item 18, Darjaven Vestnik, issue 50 of 2015; previous item 19, issue 61 of 2015, effective as of 11 August 2015) take other actions as provided for in this Law and the legislative acts for its application.

(2) In calculating the amount of the limit under paragraph 1, item 7, the transactions carried out by the assignee in bankruptcy with one entity or related entities for six months are considered as one transaction.

(3) (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015; amended; Darjaven Vestnik, issue 50 of 2015) The Fund's powers under paragraph 1, items 1, 2, 4, 5, 8, 11, 12, 13, 14, 15, 17 and 18 shall be exercised by the Management Board and in all other cases, by the chairperson of the Fund's Management Board unless expressly provided for by this Law that certain powers of the Fund shall be exercised by the Management Board.

(4) (amended; Darjaven Vestnik, issue 59 of 2007, effective as of 1 March 2008; amended; Darjaven Vestnik, issue 50 of 2015) Acts of the Fund under paragraph 1, item 1 concerning appointment of the assignee in bankruptcy, and items 4, 5, 6, 7, 8, 9, 12, 14, 15 and 18, except for the measures under Article 41, paragraph 2, item 6, shall not be subject to judicial appeal. In the remaining cases, and to extent that nothing else is provided for in this Law, each interested party in the bankruptcy proceedings may appeal the Fund's acts before the bankruptcy court within a seven-day period from their issuance under the procedure of Chapter Twenty-One 'Appeal of the Definitions' of the Civil Procedure Code. The appeal shall not stop the implementation. If the court invalidates entirely or partially the appealed act, the court shall return the file to the Fund for resolution on the particular issue.

(5) (amended; Darjaven Vestnik, issue 59 of 2007, effective as of 1 March 2008) Unless otherwise provided for in this Law, the decisions of the bankruptcy court under paragraph 4 are subject to cassation appeal under the procedure of Chapter Twenty-One 'Appeal of the Definitions' of the Civil Procedure Code.

(6) The court may not stay the execution of the actions of the Fund under paragraph 1, item 1. Invalidation of the act of removing the assignee in bankruptcy shall not restore the person as assignee in bankruptcy in the bankruptcy proceedings.

(7) (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) The chairperson of the Management Board shall report to the Management Board of the Fund at least once a month concerning the performance of his functions under this

Law. The report together with the minutes of the meeting shall be immediately sent for information to the National Assembly.

Conducting Inspections and Collecting Information Regarding Assignee's Activity

Article 40. (1) The Fund shall have the right, in connection with the exercise of its functions and powers under this Law and at any time, to:

1. require a bank's assignee in bankruptcy to present all necessary accounting and other documents and information regarding his activities;
2. require from the assignee in bankruptcy to provide written or oral explanation regarding the performance of certain of his actions or the lack of performance of necessary actions in the bankruptcy proceedings;
3. require from the assignee in bankruptcy a written report for a certain period or on a certain matter;
4. perform on-site inspections by authorized officers of the Fund or by other persons.

(2) The actions under paragraph 1 shall be carried out based upon an order of the chairperson of the Management Board of the Fund, which order shall not be subject to judicial appeal.

(3) The bank's creditors, as well as the central bank, may address grounded requests to the chairperson of the Management Board to perform an inspection of certain circumstances in pursuance of this Article.

(4) In the course of on-site inspections, the persons authorized by the Fund shall have the right to:

1. unimpeded access to the premises of the bank in bankruptcy;
2. require presentation of accounting and other documentation, and gather information relating to the performance of the task assigned to them;
3. request the Management Board of the Fund to appoint experts;
4. examine the assignee's in bankruptcy journal and the bank's commercial books;
5. inspect the contents of the vault;
6. make inspections at other bank or nonbank enterprises on matters relating to the inspection.

(5) The actions stated under paragraph 4, item 6 may be taken jointly with representatives of the central bank.

(6) (repealed; issue 33 of 2016, effective as of 26 April 2016)

Sanctions

Article 41. (1) If the Bulgarian Deposit Insurance Fund finds on its own, on notice from the central bank, or from a creditor of the bank in bankruptcy, that the assignee in bankruptcy:

1. acts unlawfully in the exercise of his powers;
2. does not exercise his powers or perform his obligations with due care;
3. harms the creditors' interests with his activity;
4. causes unjustified delays of the bankruptcy proceedings;
5. fails to comply with the instructions of the Fund;
6. prevents the performance of control over his activities,

the Management Board may make a decision to impose upon the assignee in bankruptcy any of the measures under paragraph 2.

(2) For the cases under the paragraph 1, the Fund may:

1. address a written warning to the assignee in bankruptcy demanding correction of his unlawful actions;
2. oblige the assignee in bankruptcy to perform certain immediate actions that are necessary for protecting the interests of creditors;
3. oblige the assignee in bankruptcy to cease and desist the committed violations;
4. prohibit the assignee in bankruptcy from carrying out certain actions or concluding certain transactions that harm the interests of creditors;
5. reduce the assignee's in bankruptcy remuneration in the circumstances under Article 30, paragraph 4;
6. remove the assignee in bankruptcy from office.

(3) The decisions of the Management Board taking any of the measures under paragraph 2 shall not be subject to judicial appeal, with the exception of such decisions taking a measure under paragraph 2, items 5 and 6.

(4) (amended; Darjaven Vestnik, issue 30 of 2006) When imposing the measures under paragraph 2, the provisions of the Administrative Procedure Code relating to the parties' explanations and objections shall not apply.

(5) The Management Board decisions taking any of the measures under paragraph 2 shall be subject to immediate execution.

(6) When there is evidence of commission of a crime, the Management Board shall notify the Prosecutor's Office.

Limitations

Article 42. (1) The members of the Management Board as well as persons working for the Fund cannot acquire in any way, directly or through another entity, a property or right from the bankruptcy estate. This limitation shall apply to spouses to the persons of the previous sentence, their relatives in a direct line, in a lateral line to the sixth degree inclusive, and by marriage to the third degree inclusive.

(2) If it is determined that a member of the Fund's Management Board has violated paragraph 1, the mandate of this member shall be terminated ahead of term.

Notification of Fund's Acts

Article 43. (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) The Fund's acts shall be entered in a separate register, which shall be public and available in the Fund's premises at a time indicated by the chairperson of the Management Board. The register shall be also kept in an electronic form available on the website of the Fund.

Section III

The Central Bank

Powers of the Central Bank

Article 44. In the bankruptcy proceedings, the central bank shall have the following powers:

1. file petitions to open bankruptcy proceedings against a bank;

2. maintain a list of persons eligible to be appointed assignees in bankruptcy of a bank;
3. exclude from the list under item 2 a person appointed as assignee in bankruptcy for whom it has been established he has committed violations in relation to his activity as assignee in bankruptcy; in such case, the Fund shall have the duty to remove such assignee in bankruptcy from office immediately;
4. file petitions to the bankruptcy court to impose preliminary security measures under the procedure of Article 12;
5. file petitions to the Management Board of the Fund to impose sanctions on the assignee in bankruptcy;
6. upon proposal of the Fund, issue ordinances concerning the application of this Law;
7. take other action as provided for in this Law.

Section IV

Bankruptcy Court

Functions

Article 45. The bankruptcy court shall review and resolve the legal disputes arising in the bankruptcy proceedings.

Powers of the Bankruptcy Court

Article 46. (1) The bankruptcy court shall have the power to:

1. open the bankruptcy proceedings of a bank with a judgment under Article 13, paragraph 1;
2. reject petitions in bankruptcy that do not meet the requirements designated in Article 9, paragraphs 2 and 3;
3. impose preliminary security measures under the procedure of Article 12;
4. impose security measures in the bankruptcy proceedings under the procedure of Article 53;
5. approve, with a decision under Article 67, paragraph 2, the list of claims accepted by an assignee in bankruptcy against which no objection has been made;
6. rule on objections challenging claims against the bank not accepted by the assignee in bankruptcy and objections on accepted, but disputed, claims;
7. (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) rule on claims brought under Article 59, paragraphs 3 and 5, Article 60 and Article 60a, as well as Article 135 of the Law on Obligations and Contracts;
8. rule on assertion claims under Article 3, paragraph 3, Article 22 or Article 34, paragraph 4;
9. rule on assertion claims under Article 65;
10. rule on appeals in pursuance of Article 89 and on claims under Article 90;
11. order the closure of the bankruptcy proceedings;
12. order the reopening of the bankruptcy proceedings against a bank under the terms and conditions provided for in Article 111;
13. rule on the appeals against decisions of the Fund in cases provided for in this Law;

14. give the approval for the sale of the bank as an enterprise under the terms of Chapter Seven;

15. (new; Darjaven Vestnik, issue 50 of 2015; amended; Darjaven Vestnik, issue 20 of 2018, effective as of 6 March 2018) grant permission to the temporary assignees in bankruptcy, assignees in bankruptcy and members of the Fund's Management Board to have access to data in performing traceability of operations related to a recovery of received property originating in the bank in bankruptcy to the Real-Time Gross Settlement System under Article 145 of the Law on Payment Services and Payment Systems and to the TARGET2-BNB system;

16. (previous item 15, Darjaven Vestnik, issue 50 of 2015) take other actions as provided for in this Law.

(2) (new; Darjaven Vestnik, issue 50 of 2015) In the cases under paragraph 1, item 15, access shall be permitted at the request by the Fund or the temporary assignee in bankruptcy or the assignee in bankruptcy, approved by the Fund, to the bankruptcy court. The bankruptcy court shall rule by reasoned order in a closed-door session no later than 24 hours of the request submission and specify the period to which data relate. The court order shall not be subject to judicial appeal.

(3) (previous paragraph 2, Darjaven Vestnik, issue 50 of 2015) The powers of the bankruptcy court stipulated in this section shall be performed under the terms and procedures of the Civil Procedure Code unless otherwise provided for in this Law.

Appeals of Determinations and Decisions of the Bankruptcy Court

Article 47. (1) (amended; Darjaven Vestnik, issue 59 of 2007, effective as of 1 March 2008) The orders and judgments issued by the bankruptcy court in connection with bankruptcy proceedings shall be subject to appeal under the general procedure of the Civil Procedure Code, unless otherwise provided for in this Law.

(2) The Supreme Court of Cassations shall commence the case on the day the appeal is filed or on the following business day at the latest and shall review it and issue a decision within a one-month period from the commencement of the case. The court may not stay the implementation of the judgment.

Court Acts Notifications

Article 48. (1) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The bankruptcy court's acts shall be entered in a separate register, which shall be public and available on the premises of the bankruptcy court. In the same register, the judgments and determinations of the Court of Cassations against acts of the bankruptcy court shall also be entered, while announcing them in the Commercial Register.

(2) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) Determinations and judgments of the court that are subject to appeal shall be deemed served on the interested parties from the day of their announcement in the Commercial Register.

*Chapter Four***Preservation, Management and Enhancement of
Property of the Bankruptcy Estate. Protective Measures***Section I***Preservation of the Bankruptcy Estate****Sealing**

Article 49. (1) (amended; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) On the date of receipt of a copy of the judgment on the opening of bankruptcy proceedings by the conservators or temporary assignees in bankruptcy of the bank or on the following day at the latest, all the premises, equipment, vehicles and others, where property and documents of the bank are stored, shall be sealed.

(2) (amended; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) The conservators or temporary assignees in bankruptcy or persons authorized by them shall perform the sealing within three days. The sealing procedure shall be attended by representatives of the Fund, as designated by the chairperson of the Management Board.

(3) Statements shall be drawn up upon sealing, specifying the sealed facilities and property. The persons under paragraph 2 shall sign the statements.

(4) No premises for storing perishable goods or premises necessary for guarding and protecting the property of the bank shall be subject to sealing.

(5) (new; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) In the cases where no temporary assignees in bankruptcy are appointed, the actions under this Article shall be performed by the conservators upon taking up duty.

Lifting of Seals and Listing the Property of the Bank

Article 50. (1) Within a 30-day period after the assignee in bankruptcy takes over, a list shall be drawn up of all the immovable and movable property, cash, valuables, securities, contracts, accounting and other documents, of the receivables of the bank, and of any property in possession of third parties.

(2) (amended; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) The list referred to in paragraph 1 is made by a commission consisting of representatives of conservators or temporary assignees in bankruptcy and of the assignee in bankruptcy. Representatives of the Fund, as designated by the chairperson of the Management Board, shall also participate in the commission. After making the list, a statement is made and signed by all the persons taking part.

(3) (amended; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) The bank's conservators or temporary assignees in bankruptcy and the members of the managing and controlling bodies of the bank who were acting at the time of the revocation of the license to conduct bank activity shall provide assistance in drawing up the list. In case of failure to perform this obligation, the chairperson of the Management Board of the Fund may impose fines or property sanctions on them under Chapter Ten.

(4) Where additional property is identified after completion of the list, an additional list shall be drawn up.

Responsibility for the Property Described in the List

Article 51. The assignee in bankruptcy shall be responsible for the property described in the list as from the date of drawing up of the list.

Inventory of the Bank's Assets and Liabilities

Article 52. (1) (amended; Darjaven Vestnik, issue 50 of 2015) Within a seven-day period after the property list is completed, the assignee in bankruptcy shall start an inventory of the listed property of the bank and an appraisal of the bank property and property rights of the bankruptcy estate. The period for inventory and appraisal may not exceed 120 days.

(2) If necessary, and with the approval of the chairperson of the Fund's Management Board, the assignee in bankruptcy may use the assistance of outside experts. The decision of the chairperson of the Management Board shall not be subject to judicial appeal.

(3) On the basis of the inventory and appraisal, the assignee in bankruptcy shall draft a liquidation balance sheet, and if damages are identified he shall take actions to recover the losses from the entities that caused them.

(4). (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015; amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The assignee in bankruptcy shall immediately submit to the Fund the documentation on the inventory, appraisal, and liquidation balance sheet, as well as a report containing a summarised information of the appraisal and liquidation balance sheet by major category of assets. The report shall be sent for information to the National Assembly within three days from its receipt.

Security Measures

Article 53. (1) At the request of the assignee in bankruptcy or the Fund, the bankruptcy court may allow the measures prescribed in the Law that secure the available property of the bank.

(2) (new; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) At the request of the assignee in bankruptcy or the Fund, the bankruptcy court may allow the use of claims as collateral in order to enhance the bankruptcy estate. The use of claims as collateral shall be allowed if the claim is supported by sufficient evidence on the basis of which it is reasonable to assume that the claim is justified.

(3) (previous wording of paragraph 2; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) Except as provided in paragraph 1, no security measures may be imposed on the rights of the bankruptcy estate after the date of the judgment to open bankruptcy proceedings against a bank.

Section II

Management of Property of the Estate

Bankruptcy Expenses

Article 54. Bankruptcy expenses shall be:

1. the assignee's remuneration;
2. the labor remuneration, social security payments and the other payments required for the labor security relations with the employees of the bank in bankruptcy;
3. the expenses and costs of enhancing, preserving, managing, appraising and distributing the bankruptcy estate;
4. the remuneration paid to the experts and consultants hired by the assignee in bankruptcy in connection with exercising of his powers;
5. (repealed; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016)

Monthly Budget of Bankruptcy Expenses

Article 55. (1) The assignee in bankruptcy shall draw up a monthly budget concerning bankruptcy expenses, forecasting ordinary current expenses related to the bankruptcy proceedings, as well as the expenditures related to retaining attorneys, experts or consultants or the payment for appraisals of property and rights of the bankruptcy estate or other similar extraordinary expenses.

(2) The amounts in the budget concerning bankruptcy expenses may be spent only for the purposes planned in the budget and only within the month the budget relates to.

(3) (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) The budget shall be drawn up and submitted for the approval to the Management Board of the Fund not later than 14 days before the beginning of the month the budget relates to, and, in the case of commencing bankruptcy proceedings, not later than 14 days after the assignee's in bankruptcy assumption of office.

(4) (repealed; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016)

(5) (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) Where the Management Board of the Fund refuses to approve the submitted budget, it shall instruct the assignee in bankruptcy as to the amendments required for the budget to be approved.

(6) The assignee in bankruptcy shall fulfil the instructions given under paragraph 5 and submit a new budget to the Fund within a seven-day period after receiving the instructions but not later than three days before the beginning of the month the budget relates to.

(7) (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) Where any unplanned extraordinary expenses become necessary during the respective month, the assignee in bankruptcy shall have the right to incur such expenses upon receiving approval by the Management Board of the Fund. Where it is urgent, for the sake of preserving the bankruptcy estate, to incur such expenses, and it is not possible to receive prior permission, the assignee in bankruptcy may incur such expenses and then request their subsequent confirmation.

(8) Any amount by which the assignee in bankruptcy exceeds, without permission, the budget approved by the Fund, as well as any expenses made for purposes other than the planned ones shall be considered as damages caused by the assignee in bankruptcy to the bankruptcy estate until the opposite is proven.

(9) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) By a resolution of the Management Board of the Fund, the period for which the budget is drawn up under paragraph 1 may be altered.

(10) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The resolutions of the Management Board of the Fund under this Article shall not be subject to judicial appeal.

Receipt of Property Placed in the Bank for Safekeeping

Article 56. (1) (amended; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006; issue 59 of 2006) Within six months after entry of the decision under Article 13, paragraph 1, the assignee in bankruptcy shall send a notice by registered mail to the addresses contained in the documentation available at the bank of each user of a bank safe-deposit box or any other entity who has left property for safekeeping by the bank, advising such entities of the nature and amount of the claim according to the bank's documentation. If the entity has changed his address without notifying the bank of this, the notice shall be deemed delivered.

(2) (amended; Darjaven Vestnik, issue 59 of 2006) The notice under paragraph 1 shall prescribe the time limit for the users of bank safe-deposit boxes and entities who have left property for safekeeping by the bank to receive their property either in person or through a person authorized by them.

(3) (amended; Darjaven Vestnik, issue 59 of 2006) Any bank safe-deposit box that has not been vacated within the prescribed time limit shall be opened by the assignee in bankruptcy in the presence of a Notary Public. A list of the property available therein shall be drawn up and signed by the assignee in bankruptcy, the Notary Public, and other persons present.

(4) The property identified under paragraph 3, as well as any other property in the bank's safekeeping, that are not received within the prescribed time limit shall be kept in the assignee's safekeeping pending the completion of the case.

(5) Any property that has not been claimed by the completion of the case shall be delivered to the central bank or a commercial bank designated by it, and if the bank has been sold as an enterprise under Articles 91–92, to the purchaser. Such property shall become property of the state after five years from delivery.

Collection of the Bank's Receivables

Article 57. (1) The assignee in bankruptcy shall be obligated to undertake all necessary actions and use all permissible legal means for collection of the bank's receivables, including the unpaid payments for subscribed shares from the bank's shareholders.

(2) The inclusion of a receivable in the liquidation plan and the commencement of a liquidation procedure for the claim shall not discharge the assignee in bankruptcy from his obligation under paragraph 1 until the date of the public disposition of the respective receivable.

(3) (amended; Darjaven Vestnik, issue 50 of 2015) Within a two-year period from assuming office, the assignee in bankruptcy shall perform an inquiry concerning the existence of information for damages caused to the bank by its former administrators and, upon finding such information, shall file indemnification claims in the bankruptcy court for damages against the guilty parties.

(4) Where appropriate and in the interest of the bank's creditors, the assignee in bankruptcy may, after receiving the approval of the Fund's Management Board,

conclude agreements under Article 65, paragraphs 2 and 3 or Articles 99, 101, 102, and 107 of the Law on Obligations and Contracts, regarding the bank's receivables. The Management Board shall establish the conditions under which these actions may be carried out.

(5) (amended; Darjaven Vestnik, issue 59 of 2007, effective as of 1 March 2008) When a credit is unpaid on maturity, the assignee in bankruptcy shall have the right to obtain a writ of immediate execution under the procedure of Article 418 of the Civil Procedure Code on the basis of a statement of account.

(6) (new; Darjaven Vestnik, issue 41 of 2015, effective as of 5 June 2015) In a case for a recovery of claims of the bank, no stamp duty shall be collected on the indemnification claims under paragraph 5 and on the proceedings under paragraph 5.

Section III

Enhancement of the Bankruptcy Estate

Termination of a Contract

Article 58. (1) The assignee in bankruptcy may terminate any contract concluded before the date of the decision to open bankruptcy proceedings and to which the bank is a party, if it is wholly or partially unperformed.

(2) Upon termination of a contract, the assignee in bankruptcy shall send a 15-day advance notice. Upon termination of a contract under which the bank is the lessee of real estate, regardless of the term thereof, the assignee in bankruptcy shall send a 60-day advance notice.

(3) In the case of termination of contracts under which the bank is a lessee of real estate, under paragraphs 1 and 2, the counterparty shall not be entitled to compensation for damages suffered by reason of the termination.

(4) At the request of a counterparty under a contract with the bank, the assignee in bankruptcy shall reply within 15 days whether the contract shall be kept in effect or terminated.

(5) Upon keeping in effect a contract under which the bank makes periodic payments, the assignee in bankruptcy shall not have the right to make any contractual payments that were overdue prior to the date of the judgment opening the bankruptcy proceedings.

Setoff

Article 59. (1) (amended; Darjaven Vestnik, issue 98 of 2014) A creditor may set off its debt to the bank if, prior to the date of the judgment to open bankruptcy proceedings, the two debts were in existence and were counter-obligations and homogeneous and creditor's debt had become due, unless in the cases under paragraph 5. Where the claim became due during the bankruptcy proceedings or as a result of the judgment to open bankruptcy proceedings, or where the homogeneity of the two debts has occurred as a result of this judgment, the creditor may carry out a setoff only after the claim becomes due or, respectively, the occurrence of homogeneity.

(2) The setoff statement shall be sent to the assignee in bankruptcy in writing with the signature being attested by a Notary Public.

(3) The setoff may be declared invalid with respect to the bankruptcy creditors, where the creditor has acquired the claim and the debt prior to the date of the judgment opening the bankruptcy proceedings but the creditor was aware as of the time of the acquisition of the claim or the debt that insolvency had occurred or that a petition in bankruptcy had been filed.

(4) (amended; Darjaven Vestnik, issue 34 of 2006; issue 59 of 2006) The creditor shall be deemed to have been aware of the occurrence of insolvency where the claim or the debt was acquired after the date of entry of the decision of the central bank to revoke the license to conduct bank activity under Article 36, paragraph 2 of the Law on Credit Institutions.

(5) (amended; Darjaven Vestnik, issue 98 of 2014, effective as of 20 June 2014 – amended; Darjaven Vestnik, issue 22 of 2018) Any setoff shall be deemed null and void with respect to the bankruptcy creditors, except for that portion which the creditor would have received upon distribution of the liquidated property, regardless of the time of occurrence of the two counter debts, which is made by a creditor or the bank:

1. after the initial date of the insolvency;
2. after the date on which the bank was placed under conservatorship in line with the terms and conditions of Chapter Eleven, Section VIII of the Law on Credit Institutions, including a measure imposed under Article 116, paragraph 2, item 2 therein, if this date precedes the date under item 1.

(6) (new; Darjaven Vestnik, issue 98 of 2014, effective as of 20 June 2014 – amended; Darjaven Vestnik, issue 22 of 2018) In the cases under paragraph 5, the setoff shall be deferred until the performance of the final distribution account under Article 104. In case of a sale of the bank as an enterprise, the setoff shall take effect after the approval of the deal by the court under Article 91, paragraph 3.

(7) (new; Darjaven Vestnik, issue 41 of 2015, effective as of 20 June 2014 – amended; Darjaven Vestnik, issue 22 of 2018) No preliminary stamp duty shall be collected for the petitions under paragraphs 3 and 5. If the petition is granted, the stamp duty is then paid by the losing defendant. If the petition is rejected, then the stamp duty is collected from the bankruptcy estate.

Reversal Claims

Article 60. (1) (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) Other than in the cases provided for by law, the following actions and transactions by the bank may be declared invalid by the bankruptcy court with respect to the bankruptcy creditors:

1. a gratuitous transaction executed within three years prior to the date of insolvency;
2. a gratuitous transaction executed within five years prior to the date of insolvency in favor of administrative officers or shareholders of the bank or entities related to them;
3. a transaction or an action executed within five years prior to the insolvency date with the intention to damage the bank's creditors;
4. discharge of a monetary obligation through transfer of title that was executed within six months prior to the insolvency date, where return would result in an

increase of the amount that the creditors would receive in distributing bank's liquidated property;

5. a transaction executed within two years prior to the insolvency date, damaging the creditors, one side of which is a bank-related entity, an administrative officer or a shareholder of the bank, as well as their spouse, relative in a direct line, or in a lateral line to the sixth degree inclusive, or an entity related to them;

6. a nongratuitous transaction executed within two years prior to the insolvency date where the consideration substantially exceeds the value received;

7. a pledge, mortgage or another security given within one year prior to the insolvency date in favor of a claim that was unsecured at that time.

(2) The bankruptcy court may declare actions and transactions under paragraph 1 executed by the bank after the insolvency date but before the date of the judgment under Article 13, paragraph 1 invalid with respect to the bankruptcy creditors. If the grounds under Article 3, paragraph 3 or Article 22, paragraph 2 are present simultaneously with the transactions or actions under the previous sentence, they shall be null and void with respect to the bankruptcy creditors.

(3) The petitions under paragraphs 1 and 2, as well as the nullity petitions under Article 3, paragraph 3 or Article 22, paragraph 2, may be filed by the assignee in bankruptcy, as well as by the Fund upon inaction by the assignee in bankruptcy.

(4) For petitions under paragraphs 1, 2, and 3, no preliminary stamp duty shall be collected. If the petition is granted, the stamp duty is then paid by the losing defendant. If the claim is rejected, then the stamp duty is collected from the bankruptcy estate.

(5) (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) The bankruptcy court may also declare actions and transactions under paragraph 1, items 3, 4, or 5, executed by the temporary assignee in bankruptcy or the assignee in bankruptcy in the exercise of their powers in the bankruptcy proceedings, invalid with respect to the bankruptcy creditors on the grounds of a petition filed by the Fund. Where the grounds of Article 22 or Article 34, paragraph 4 are also simultaneously present to the transactions or actions under the previous sentence, they shall be null and void with respect to the bankruptcy creditors. Paragraph 4 shall apply to these petitions.

Claims for a Recovery of Received Property

Article 60a. (new; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) (1) The assignee in bankruptcy, the temporary assignee in bankruptcy or the Fund may file a petition to the bankruptcy court for a recovery of received property originating in the bank against any third party in the cases where:

1. the third party has not received consideration or the consideration is significantly lower than the value of the receipt, or

2. the receipt of the third party is in the form of a cash and/or in-kind contribution in its capital.

(2) No preliminary stamp duty shall be collected for the petition under paragraph 1. If the petition is granted, then the stamp duty shall be paid by the losing defendant. If the petition is rejected, then the stamp duty shall be collected from the bankruptcy estate.

Invalidity of Transactions Closed by Third Parties

Article 60b. (new; Darjaven Vestnik, issue 22 of 2018) (1) Any transaction where a claim originating from the bank is transferred to a third party regardless of the number of transfers shall be invalid with respect to the bank and the bankruptcy creditors, if, as a result of that transaction, assets - cash or an asset other than a receivable of a price for a transaction, proportionate to the transferred receivable, have not been received in the patrimony of the person disposing of the claim within a reasonable period of time.

(2) In the event that the transaction under paragraph 1 is declared invalid by the court, the third party shall lose its capacity as creditor with respect to other parties, if its receivable is based on rights acquired as a result of such transaction. All pending court proceedings, enforcement proceedings and/or bankruptcy proceedings the subject of which is the receivable of the third party shall be stayed at the request of the bank or of the bankruptcy creditors until the court ruling under paragraph 1 enters into force.

(3) The assignee in bankruptcy, the temporary assignee in bankruptcy or the BDIF may bring motions to the bankruptcy court for declaring the invalidity of a transaction or a series of transactions under paragraph 1 within a 5-year period from the opening of the bankruptcy proceedings against the bank.

(4) No preliminary stamp duty shall be collected for a motion brought under paragraph 3. If the motion is honoured, the payable stamp duty shall be collected from the losing party, and if the motion is rejected, the stamp duty shall be collected from the bankruptcy estate.

Return of What Was Given by the Third Party

Article 61. In the case of a transaction or an action, with respect to which the provisions of Article 3, paragraph 3, Article 22, Article 34, paragraph 4 or Article 60 apply, what has been given by the third party shall be subject to return or, where what has been given is not included in the property of the bankruptcy estate or money is owed, the third party shall become a creditor.

Filing Reversal Petition

Article 62. (1) (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015; amended; Darjaven Vestnik, issue 22 of 2018) A petition under Article 59, paragraphs 3 or 5, as well as the petitions under Article 60, Article 60a and Article 135 of the Law on Obligations and Contracts may be filed not only by the entities under Article 60, paragraph 3 but also by each creditor of the bank within within a 5-year period from opening of the bankruptcy proceedings or, in the event of a petition under Article 60, paragraphs 5 within a six-month period after execution of the transaction or action.

(2) (amended; Darjaven Vestnik, issue 41 of 2015, effective as of 5 June 2015; amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The petitions under paragraph 1 shall be filed before the bankruptcy court, and no stamp duty shall be collected in advance. If the petition is granted, the stamp duty shall be paid by the losing defendant, and if it is rejected, the stamp duty shall be levied on the bankruptcy estate.

Fees

Article 62a. (new; Darjaven Vestnik, issue 50 of 2015) (1) No proportional stamp duty or proportional fees under the Tariff of Fees and Costs to the Private Enforcement Agents Law shall be collected in advance on enforcement proceedings constituted by the bank in bankruptcy. In these cases, a proportional fee shall not exceed BGN 30,000.

(2) In case of compulsory sequestration and forfeiture of pledged property in favour of the bank in bankruptcy under the Registered Pledges Law, the proportional fee shall not exceed BGN 30,000.

Chapter Five

Assertion of Claims

Petition to Assert Claims

Article 63. (1) (amended; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006) Creditors shall assert their claims in writing before the assignee in bankruptcy within a period of two months after entry of the decision under Article 13, paragraph 1.

(2) The creditors under paragraph 1 shall specify in their petition the grounds for and amount of the claim, the privileges and collateral, the correspondence address in accordance with the head office of the bank, and enclose written evidence thereof.

(3) (amended; Darjaven Vestnik, issue 91 of 2017) The claims of depositors of the bank, as well as the claims of workers and employees arising out of the labor relationship with the bank, having occurred within a year prior to the date of the judgment opening the bankruptcy proceedings, the receivables of the Ministry of Finance under Article 152b, paragraph 1 of the Law on Public Finance, as well as public claims established with enforceable acts, shall be considered asserted and the assignee in bankruptcy shall include them in the list under Article 64, paragraph 1. This shall not cancel the right of the entities under the previous sentence to assert their claims before the assignee in bankruptcy within the time limit under paragraph 1.

Initial List of Claims Accepted by the Assignee in Bankruptcy

Article 64. (1) (amended; Darjaven Vestnik, issue 50 of 2015; amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) Within a 30-day period after the expiration of the time limit under Article 63, paragraph 1, the assignee in bankruptcy shall draw up a list of the claims accepted by him, specifying the names of creditors, and if they coincide, other identification data, the reasons for and the accepted amount of the claim, the type and amount of the collateral, and the order of satisfaction of the claim under this Law. Claims shall be organized in the list in accordance with the sequence of satisfaction and, within this sequence, in an alphabetical order.

(2) (amended; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006; amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) After the list is drawn up, the assignee in bankruptcy shall announce it in the Commercial Register and publish at least twice in one or more central daily newspapers a notice thereof.

Additionally Asserted Claims

Article 65. (1) Creditors who fail to assert their claims within the time limit under Article 63, paragraph 1 may file assertion claims against the bank with the bankruptcy court within a one-year period after the date of the judgment under Article 13, paragraph 1.

(2) The claims asserted shall be accepted in the bankruptcy proceedings as from the effective date of the judgment to grant the petition under paragraph 1.

(3) A creditor with a claim under paragraph 1 may not dispute claims already accepted or distribution already performed and shall be satisfied from the remainder, where the liquidated property has already been distributed. The stamp duty and the additional expenses for accepting the claim shall be borne by the creditor.

Disputing the List

Article 66. (1) (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) Within a 14-day period of the announcement of the list in the Commercial Register, any depositor, another creditor or one or more shareholders with a total of at least 25 per cent of all voting shares in the bank may make a written objection before the assignee in bankruptcy against a claim accepted or unaccepted in the list.

(2) (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) After the expiration of the term under paragraph 1, the assignee in bankruptcy shall draw up a list of creditors whose claims have been disputed and announce it in the Commercial Register. Any creditor in the list shall have the right to receive a copy of the objection filed against him along with evidence thereto within a 14-day period of the announcement of the list of disputed claims. Copies may be received in the head office and the offices of the bank in bankruptcy.

(3) (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) Within a seven-day period of the expiration of the term for receiving copies under paragraph 2, any creditor with a disputed claim shall have the right to submit to the assignee in bankruptcy a written opinion on the objection and attach evidence.

(4) (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) The assignee in bankruptcy shall examine all received objections and opinions thereto and make the final decision on exclusion or inclusion of the claims in the list of claims accepted by him, within a 40-day period of the expiration of the term under paragraph 3.

(5) (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) The assignee in bankruptcy shall announce a notice in the Commercial Register that the decision has been issued and may be received in the head office and the offices of the bank in bankruptcy within seven days after the announcement of the notice.

(6) (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) Within a seven-day period of the expiration of the term under paragraph 5, any person who has made an objection under paragraph 1 may dispute before the bankruptcy court the decision of the assignee in bankruptcy under paragraph 4 in connection solely with the claim against which an objection has been made. The objection to the court shall be submitted through the assignee in bankruptcy.

(7) (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015; amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) Within a 14-day period after the expiration of the time limit under paragraph 6, the assignee in bankruptcy shall draw up and announce in the Commercial Register:

1. a list of the accepted claims against which no objection is made;
2. a list of the unaccepted claims for which an objection has been presented before the court in compliance with the requirements of paragraph 6;
3. a list of the unaccepted claims for which an objection has been presented before the court in compliance with the requirements of paragraph 6.

(8) (new; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) The claims in the lists under paragraphs 2 and 7 shall be organized in accordance with the sequence of satisfaction under Article 94, paragraph 1 and, within this sequence, in an alphabetical order.

(9) (new; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) The objections made, the evidence presented for them, and evidence concerning the observance of the requirements under paragraph 6 shall be attached to the lists under paragraph 7, items 2 and 3.

Approval of the List of Accepted and Undisputed Claims

Article 67. (1) (amended; Darjaven Vestnik, issue 50 of 2015; amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) The assignee in bankruptcy shall provide the bankruptcy court with the lists under Article 66, paragraph 7, together with the documents under Article 66, paragraph 9 within a seven-day period after the drawing up of these lists.

(2) The court shall examine and approve the list of accepted and undisputed claims within 14 days from receipt in a closed session, issuing a judgment. In this case, the court judgment shall not be subject to appeal.

Court Examination of the Objections Made

Article 68. (1) (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015; amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The bankruptcy court shall examine the objections made under Article 66, paragraph 6 against any accepted or unaccepted claim in separate proceedings in an open session, summoning the assignee in bankruptcy, the creditor with the disputed claim and the creditor making the objection, issuing a judgment on each of the objections made.

(2) (new; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The parties are called upon to the open session under paragraph 1 by publishing an announcement in the Commercial Register.

(3) (former paragraph 2, Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The court judgment under paragraph 1 shall rule on supplementing the list under Article 67, paragraph 2, specifying the type, grounds for and amount of the claim, to be included in the list, the type and amount of collateral and the sequence of satisfaction provided that:

1. an objection against a claim that was not accepted by the assignee in bankruptcy has been granted wholly or in part;

2. an objection to a claim accepted by the assignee in bankruptcy has been rejected wholly or in part.

(4) (former paragraph 3, Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The court shall rule on all objections within one month after their receipt pursuant to the provisions of Article 67, paragraph 1.

Accepted Claims

Article 69. (1) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) A claim included in the list under Article 67, paragraph 2, as well as cases under Article 20, paragraph 4, Article 65, paragraph 2, and Article 68, paragraph 3 shall be deemed accepted in the bankruptcy proceedings:

1. from the moment of issuance of the judgment under Article 67, paragraph 2 on the approval of the list of accepted and undisputed claims;

2. from the moment of entry into force of the court judgment under Article 68, paragraph 3 concerning the claim;

3. from the moment of entry into force of the court judgment under Article 65, paragraph 2 concerning the claim;

4. from the moment of entry into force of judgment under Article 20, paragraph 4 recognizing a creditor's claim against the bank;

(2) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The entry into force of the judgments under Article 20, paragraph 4, Article 65, paragraph 2, Article 67, paragraph 2 and Article 68, paragraph 3 shall have declaratory effect with respect to the bank and all bankruptcy creditors.

Undisputable Claims

Article 70. No claim established in judgment coming into force after the date of opening the bankruptcy proceedings shall be subject to attack where the assignee in bankruptcy has participated in the proceedings.

Changes to the List of the Accepted Claims Approved by the Court

(title amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016)

Article 71. (1) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The assignee in bankruptcy shall supplement the list under Article 67, paragraph 2 with the claims established by a judgment under Article 65, paragraph 2 or Article 68, paragraph 3. The assignee in bankruptcy shall supplement the list also with the claims that are the subject of a judgment under Article 20, paragraph 4, where the judgment acknowledges the claim asserted by the creditor.

(2) (new; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The assignee in bankruptcy shall change the list under Article 67, paragraph 2 in cases where the Fund has been convicted to pay a depositor a claim on a deposit asserted by him based on a judgement that has entered into force.

(3) (former paragraph 2; amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The list shall be changed on the date when the judgments under paragraph 1 come into force.

(4) (new; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015; former paragraph 3; amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016). The changed list shall be announced in the Commercial Register.

Chapter Six

Liquidation of Property of the Bank

Section I

General Provisions

Scope

Article 72. (1) The property and the other property rights included in the property of the estate separately, in sets, in distinct parts, or as a whole shall be converted into cash under the conditions and procedures set forth in this Chapter.

(2) (amended; Darjaven Vestnik, issue 67 of 2008; amended; Darjaven Vestnik, issue 41 of 2015, effective as of 5 June 2015) The assignee in bankruptcy shall deposit collected money claims in a special account in levs, and the foreign-denominated amounts in special accounts in the respective currency, opened in banks under Article 2, paragraph 5 of the Law on Credit Institutions or in the Bulgarian National Bank. The bank in bankruptcy may have only one of each indicated types of accounts.

(3) (amended; Darjaven Vestnik, issue 105 of 2005, effective as of 1 January 2006) For cases that are not provided for under this Chapter, the provisions of Chapters Twenty-six and Twenty-seven of the Tax Insurance Procedure Code shall be applicable.

Public Disposition of Property and Property Rights

Article 73. (1) The property and property rights in the bankruptcy estate shall be liquidated by the assignee of the bank by means of a public disposition, except for the special cases of sale or as provided in Article 85, paragraph 6, item 2.

(2) The manner of liquidation and the method for carrying out a public disposition of the individual rights included in the bankruptcy estate shall be determined by the assignee in bankruptcy and approved by the Fund.

(3) The property or right being liquidated shall be sold 'as is' at the time of the sale and the purchasers may not complain of defects of the property or right purchased.

Methods of Public Disposition

Article 74. (1) The public disposition shall be performed through a public sale, through an auction with open bidding, or through an auction with secret bidding.

(2) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) Liquidation through public sale shall apply only to movable property at a value of up to BGN 1000 or sets of movable property if the total value of the property included in the set does not exceed BGN 2000.

(3) Where the sale is completed through auction, it shall be valid even where only one purchaser participates in the auction, provided that the price offered is not lower than the initial auction price.

Subject of Public Disposition

Article 75. (1) The property and property rights of the bank may be subject to public disposition as a whole, distinct parts, sets of property or claims, or separate property and property rights.

(2) Where property and property rights are sold as a whole, in sets or distinct parts, creditors may not be placed in less favorable circumstances than in the case of sale of individual property and property rights.

Effect of Public Disposition

Article 76. (1) (amended; Darjaven Vestnik, issue 59 of 2007, effective as of 1 March 2008) The movable property sold at public sale and the rights over them that may be valued in money shall become ownership of the purchaser even where they have not been owned by the bank. The previous owner shall enjoy the rights under Article 482, paragraph 3 of the Civil Procedure Code.

(2) (amended; Darjaven Vestnik, issue 59 of 2007, effective as of 1 March 2008) Where an enforceable court judgment establishes that the immovable properties or other property rights over them do not belong to the bank, the provisions of Article 499 of the Civil Procedure Code shall apply.

(3) The receivables of the bank sold through public disposition shall retain their privileges and collateral without the necessity for entry in the relevant registers or other additional actions.

(4) After the date of enforcement of an order of assignment to the purchaser under public disposition under this Chapter, the rights that third parties have acquired on the property or right may not be asserted if such rights could not have been asserted against the bank's creditors.

(5) On carrying out a public disposition of immovable property, all mortgages and every property right established after the first mortgage shall be considered extinguished.

(6) On carrying out a public disposition of a receivable, all pledges or freezes on the receivable shall be considered extinguished.

Record of Liquidation Activity

Article 77. (1) For each liquidation action, the assignee in bankruptcy shall draw up a statement specifying the date and place of its drawing up, the action undertaken, the claims filed, the amounts collected and the expenses incurred.

(2) All statements prepared for liquidation actions on property or rights for which an assignment order is requested shall be attached to the request to the Fund for issuance of an assignment order on the respective property or rights.

Section II

Commencement of the Liquidation Procedure

Liquidation Plan

Article 78. (1) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016; amended; Darjaven Vestnik, issue 95 of 2016) Within two months of completion of the inventory and appraisal under Article 52, paragraph 1, the assignee in bankruptcy shall prepare a plan for the realisation of assets included in the bankruptcy estate.

(2) The plan under paragraph 1 must specify the initial date of commencement of the liquidation procedure and the deadline for liquidating all property and property rights in the bankruptcy estate.

(3) The liquidation plan shall specify the type and book value of the assets to be liquidated during each month within the time limit under the liquidation plan, the manner of liquidation of such assets, the initial date and the place for the performance of the respective procedure, and the estimated amount to be received during the respective month as a result of the liquidation.

(4) The liquidation plan shall not include:

1. the property and property rights in the bankruptcy estate that are the subject of litigation as to the existence, amount, and content of the bank's rights;

2. the property that is not in the bank's possession;

3. the rights and property, for which the bank has insufficient evidence to prove its rights thereto and for which third parties have filed claims that are likely to be well-grounded;

4. pledged property or receivables where law allows the creditor to sell them without court intervention, except where the secured creditor's claim has been denied acceptance in the bankruptcy proceedings.

(5) The property and rights under paragraph 4, items 1–3 shall be subsequently included in the liquidation plan after the bank's rights over them have been proven beyond any doubt.

(6) The Fund shall approve or refuse to approve the liquidation plan by order of the chairperson of the Management Board, which shall not be subject to judicial appeal.

(7) Where the Fund has refused to approve the liquidation plan, the chairperson of the Management Board shall give the assignee in bankruptcy instructions in writing as to the necessary changes and amendments. The assignee in bankruptcy shall carry out the instructions and submit a new plan to the Fund within a ten-day period after receipt of such instructions.

(8) After its approval, the liquidation plan may be changed or amended by the assignee in bankruptcy only with the prior approval in writing by the chairperson of the Management Board of the Fund.

(9) Where it is ascertained as a result of an appeal under Articles 88 or 89 or through an enforceable judgment that some property or right included in the liquidation plan does not belong to the bank, such property or right shall be excluded from the plan pursuant to paragraph 8.

Drawing up of a List of the Property and the Rights Included in the Liquidation Plan

Article 79. (1) Within a 14-day period after approval of the liquidation plan, the assignee in bankruptcy shall draw up lists of all property and property rights included in the liquidation plan for the first month as from the initial date of commencement of the liquidation procedure.

(2) The lists under paragraph 1 may be drawn up also by persons specifically authorized to do so by the assignee in bankruptcy through a power of attorney attested by a Notary Public.

(3) The lists shall specify:

1. the date and place of their drawing up;

2. the grounds for drawing up the lists;

3. the full name and position of the person drawing up the list, and, in the case of a person authorized by the assignee in bankruptcy, the number and date of the power of attorney;

4. detailed description of the property or right, specifying:

(a) for movable property – location, pledges, freezes, as well as taxes due, if any;

(b) for immovable property – location and boundaries of the property, mortgages and attachments, as well as taxes due;

(c) for receivables – reasons, amount as of the date of the list, description of the privileges and collateral, freezes or pledges, details of the debtor and other characteristic features;

(d) for other rights – reasons, type and other characteristic features of the right.

5. an appraisal of the property or right;

6. rights claimed by third parties in the described property or right, as well as the evidence presented by such third parties in support of their claims;

7. the signature of the person who has drawn up the list and of the third parties claiming the described property or right.

(4) (amended; Darjaven Vestnik, issue 36 of 2004; amended; Darjaven Vestnik issue 105 of 2005, effective as of 1 January 2006) Immovable property shall be included in the list only if the assignee in bankruptcy is satisfied that the owner of such property is the bank. For this purpose, the assignee in bankruptcy may make inquiries with the respective territorial directorate of the National Revenue Agency and the recordation office. Where no sure evidence exists as to the title, the possession as of the date attachment was imposed shall be taken into consideration.

(5) The assignee in bankruptcy shall draw up a list of the property and rights that are to be liquidated during the respective following month in accordance with the liquidation plan within ten days before the beginning of the month.

Appraisal of the Property and Rights in the Lists

Article 80. (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) (1) The property and rights included in the lists under Article 79 shall be appraised at market value by outside experts designated under Article 52, paragraph 2.

(2) Appraising individual assets the assignee in bankruptcy may determine a materiality threshold for particular items with a total balance sheet value of up to 0.5 per cent of total assets as of the date of judgment to open the bankruptcy proceedings, and with an individual balance sheet value not exceeding BGN 2000 for tangible assets. These assets shall be reflected in the appraisal at their net balance sheet value.

(3) Loans due as of the date of judgment to open the bankruptcy proceedings, which have been fully repaid by cash as of a later date but prior to the completion of the appraisal, shall be included in the appraisal at a value equal to the collected claims.

(4) The valuation of immovable property may not be less than its tax value, and the valuation of motor vehicles may not be less than their insured value.

(5) The findings of the appraisal shall be prepared in written form and submitted to the assignee in bankruptcy not later than the date on which the respective property or right is included in the list. The findings shall specify the appraisal method and the reasons for the indicated price of the property or right. Only the assignee in bankruptcy and the Fund shall have access to the full information and the report

containing individual valuations of individual assets. Other creditors shall only have access to a report containing aggregated information by major asset category and the methodology applied in appraising property and rights of the bankruptcy estate.

(6) Where dissatisfied with the appraisal, the assignee in bankruptcy may within a three-day period after the receipt of the appraisal request the Management Board of the Fund to re-examine the appraisal, stating the reasons in writing thereof. Where dissatisfied with the report under paragraph 5, sentence fourth, a creditor in the bankruptcy proceedings may, within a three-day period after he has been provided access to the said report, request the Management Board of the Fund to re-examine the appraisal, stating the reasons in writing thereof. Creditors' access to the report under paragraph 5, sentence fourth shall be provided by the assignee in bankruptcy. The assignee in bankruptcy, with the Fund's approval, shall determine the procedure for reviewing the said report.

(7) (amended; Darjaven Vestnik, issue 95 of 2016) If the request under paragraph 6 is deemed justified, the Management Board of the Fund shall schedule a new appraisal by an audit firm which meets the requirements of Article 76 of the Law on Credit Institutions. The new appraisal shall be definitive in nature and shall be recorded in the inventory of the assignee in bankruptcy.

(8) The remuneration paid to the appraisers of property and rights shall be determined by the assignee in bankruptcy and approved by the Fund under Article 52 or Article 55.

Keeping the Property on the List in Custody

Article 81. (1) The property in the list shall be kept in custody by a person appointed by the assignee in bankruptcy or stored at a place selected by the assignee in bankruptcy.

(2) The custodial person shall be selected with a view to his personality, the nature of the property, and the place where the property is located or will be stored.

(3) The property in the list shall be delivered to the custodial person against his signature.

(4) The custodial person shall keep the property as a good merchant, keep account of the income from the property and the expenses for custody, and provide access to the property for persons desiring to inspect the property at a time specified by the assignee in bankruptcy. If these obligations are not performed the assignee in bankruptcy may appoint another custodial person.

(5) Where the custodial person is not an officer of the bank, the assignee in bankruptcy shall determine his remuneration, which is to be paid from the bankruptcy estate.

Permission for Public Disposition

Article 82. (1) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) Within seven days after the list is drawn up and, in the cases under Article 80, paragraph 7, after the new appraisal is given, the assignee in bankruptcy shall submit a proposal to the Fund for a public disposition of the property or rights in the list.

(2) The proposal under paragraph 1 of the assignee in bankruptcy shall specify the selected method of the public disposition, the subject of liquidation, the initial price of the public disposition and the date of commencement of the public disposition.

(3) The initial price of the disposition, as proposed by the assignee in bankruptcy, may not be lower than 60 per cent of the appraisal specified in the list, and in the case of a public disposition, 80 per cent of the appraisal.

(4) The date of commencement of the disposition, as proposed by the assignee in bankruptcy, shall be in compliance with the liquidation plan.

(5) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The statement in the list drawn up and the findings of the appraiser under Article 80, paragraphs 5 or 7 shall be attached to the proposal of the assignee in bankruptcy.

(6) The Fund shall give permission for the public disposition of the property and/or rights as proposed by the assignee in bankruptcy:

1. (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) where no conditions exist under Article 80, paragraph 7 for re-examination of the appraisal, and

2. where the proposal of the assignee in bankruptcy complies with the liquidation plan and the requirements under this Chapter.

(7) Where the Bulgarian Deposit Insurance Fund refuses to approve the assignee's in bankruptcy proposal, the chairperson of the Fund shall advise the assignee in bankruptcy thereof in writing and instruct the assignee in bankruptcy on the action to be undertaken in order to obtain the permission. The chairperson shall specify the time limit for the assignee in bankruptcy to fulfil the instructions in the notification.

(8) The assignee in bankruptcy shall submit a new proposal to the Fund, having fulfilled the instructions under paragraph 7.

(9) The Bulgarian Deposit Insurance Fund shall give permission for the public disposition or refuse to issue such permission by order of the chairperson of the Management Board, which is not subject to judicial appeal.

Notice on Public Disposition

Article 83. (1) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The assignee in bankruptcy shall send a notice on the public disposition within a seven-day period after obtaining the permission by the Fund.

(2) The notice under paragraph 1 must specify:

1. name and address of the head office of the bank in bankruptcy;

2. number and date of the order of the chairperson of the Management Board of the Fund to give permission for the public disposition;

3. method of carrying out the public disposition;

4. list of the property or rights that are the subject of the public disposition and, in the case of sale as a whole, in sets or distinct parts thereof, the manner of exhibiting them for sale;

5. initial selling price of the property or rights that are the subject of the public disposition;

6. description of the property or rights that are the subject of the public disposition, including information about any encumbrances or liens;

7. time and place of inspection;

8. time and place of the disposition;

9. if public disposition is through an auction, the auction rules, the amount of the deposit for participation, the manner of paying it and the deadline for payment;

10. any other conditions related to the selected disposition method, including the announcement about the place where the auction documentation is made available to all potential purchasers of the property or right or the conditions of purchase.

(3) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The notice of the sale shall be announced by placing it in a space for notices specified by the assignee in bankruptcy, the place where the property is located or the documentation concerning the right is available, the place where the public disposition will be held, the places designated for such purposes in the building of the Bankruptcy Court, and the municipal building of the place where the property is located.

(4) The notice of the sale shall be announced at least seven days prior to the date of the public disposition.

(5) By determination of the chairperson of the Management Board of the Fund in each specific case the public disposition shall also be announced via a notice in one or several central daily newspapers.

(6) On the date of the sale, the assignee in bankruptcy shall draw up a statement specifying the date and manner of announcing the public disposition.

(7) Where the appraisal of the property or right is over BGN 20,000, the notification of the public disposition shall be published in one central daily newspaper at least ten days before the disposition.

Section III

Performing the Public Disposition

Public Sale

Article 84. (1) A public sale shall be carried out for movable property or sets of movable property under Article 74, paragraph 2 that are located at the place of the sale and which are delivered to the purchaser upon payment of the price.

(2) Public sales shall be performed by the assignee in bankruptcy at permanent locations specified by him.

(3) (amended; Darjaven Vestnik, issue 105 of 2005, effective as of 1 January 2006) The provisions of Article 244, paragraphs 2 and 3 and Article 245, paragraphs 1 and 2 of the Tax Insurance Procedure Code shall apply to public sales, whereby the assignee in bankruptcy shall exercise the powers of a public executing officer and the chairperson of the Fund shall issue the assignment order.

(4) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) Where the property is not sold within a nine-month period after its offering for sale, it shall be sold at a negotiated price. In such case the chairperson of the Fund shall issue an assignment order, provided that the chairperson approves the agreed price of the property.

(5) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) Where the property is not sold within one year after its offering for sale, with approval of the chairperson of the Fund it shall be handed over to social welfare establishments or destroyed.

(6) Where a sale of movables requires use of a special form, it shall be deemed observed upon the issuance of the assignment order in the public sale.

Sale at an Auction

Article 85. (1) The sale at an auction with open or secret bidding shall be performed at a place and time as specified by the assignee in bankruptcy.

(2) The deposit for participation in the auction shall be ten per cent of the announced initial selling price. The document for the payment of the deposit shall be submitted to the assignee in bankruptcy not later than the announced starting time for conducting the auction.

(3) (amended; Darjaven Vestnik, issue 105 of 2005, effective as of 1 January 2006; amended; Darjaven Vestnik, issue 94 of 2015, effective as of 1 January 2016) The provisions of Article 247, Article 248, Article 249, paragraphs 2–6, Article 250, paragraph 1, item 3 and Article 253 of the Tax Insurance Procedure Code shall apply to auctions with open bidding, whereby the assignee in bankruptcy shall exercise the powers of a public executing officer, while the chairperson of the Fund shall issue the assignment orders. Where the successful bidder fails to pay the proposed price to a special account specified by the assignee in bankruptcy within the prescribed time limits, the deposit paid by the purchaser shall be used to cover the expenses of the auction, while the remainder shall be included in the bankruptcy estate.

(4) (amended; Darjaven Vestnik, issue 105 of 2005, effective as of 1 January 2006) Where property or a right has been purchased at an auction with open bidding by an entity that did not have the right to bid, the assignment shall be invalid. In this case, the amount paid by the purchaser shall be retained in the property of the estate, while the assignee in bankruptcy shall offer the invalidly assigned property or right in pursuance of the provisions of Article 249 of the Tax Insurance Procedure Code.

(5) (amended; Darjaven Vestnik, issue 105 of 2005, effective as of 1 January 2006) The provisions of Articles 251–253 of the Tax Insurance Procedure Code shall apply to auctions with secret bidding, whereby the assignee in bankruptcy shall exercise the powers of a public executing officer, while the chairperson of the Fund shall issue the assignment orders.

(6) Upon failure to sell the property or right at an auction conducted with open or with secret bidding, the chairperson of the Management Board of the Fund may allow, at the proposal of the assignee in bankruptcy, any of the following options:

1. scheduling of a new auction for the property or the right at a reduced price to 50 per cent of the initial appraisal; or
2. sale through direct negotiations or an intermediary.

(7) The sale contracts under paragraph 6, item 2, shall become effective upon their approval by an order of the chairperson of the Management Board of the Fund.

(8) Where a creditor with an accepted claim has won an auction under paragraphs 1–7, he shall be entitled to setoff from the price due from him with such portion of his claim against the bank as he would receive in a distribution from the liquidation of property of the bankruptcy estate as of the moment of such setoff, in accordance with a partial distribution account confirmed as of such time.

Appeal against Sales at Auctions

Article 86. (1) Any sale at an auction may be appealed within a three-day period after the results of the auction are announced by a participant in the auction whose bid includes a higher price than the price offered by the successful bidder, and also where the successful bidder had no right to take part in the bidding and the price offered by the appellant comes second after the price of the successful bidder.

(2) The appeal under paragraph 1 shall be filed through the assignee in bankruptcy and examined in pursuance of the provisions of Articles 88 and 89.

(3) If an appeal is filed, the chairperson of the Fund shall not issue any assignment order.

(4) The appellant shall deposit its full price into a special account with the bank, as a precondition for the regularity of the appeal. Where the appeal is upheld, the appellant shall be announced to be the purchaser.

(5) Where the court upholds the appeal, the court judgment shall be final, not subject to appeal, and have the effect of an assignment order.

(6) Where the appeal is not upheld, the chairperson of the Fund's Management Board shall issue an assignment order to the purchaser announced by the assignee in bankruptcy and give instructions to have the price deposited by the appellant released.

(7) Where the appeal is granted and the appellant is announced to be the purchaser, the assignee in bankruptcy shall release the price deposited by the purchaser he has announced except where the purchaser announced by him did not have the right to take part in the bidding. In these cases, the price deposited by the purchaser announced by the assignee in bankruptcy shall remain in the bankruptcy estate.

Special Cases of Sale

Article 87. (1) (amended; Darjaven Vestnik, issue 105 of 2005, effective as of 1 January 2006) The provisions of Article 258, paragraphs 1–5 of the Tax Insurance Procedure Code shall apply to the sale of co-owned property, whereby the assignee in bankruptcy shall exercise the powers of a public executing officer, while the assignment orders are signed by the chairperson of the Fund. The portion owned by the bank shall be offered for sale to the co-owner at a price equal to the appraisal as specified in the list and, where the co-owner agrees in writing to pay the price, the assignee in bankruptcy shall specify the payment deadline. The property shall be assigned to the co-owner upon payment of the price through an assignment order.

(2) The third party that is a co-owner of the property may appeal the execution actions under Articles 88 and 89 if the requirements under paragraph 1 are not met.

(3) Equity interests held by the bank in other companies shall be sold pursuant to the provisions of Article 85, after having been offered for purchase by the other partners at a price established under Article 80 and, within a month, the proposal is not accepted.

(4) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) Shares owned by the bank shall be sold on the stock exchange, or other regulated securities market, unless the articles of association of the company that issued the shares provide otherwise. Other financial and capital instruments listed on a stock exchange or other regulated market may be converted into cash by offering them for

trade on the respective market through a sale at exchange prices upon approval by the Management Board of the Fund.

(5) With approval of the Fund's Management Board the assignee in bankruptcy may sell financial assets through an intermediary within the country and abroad.

(6) Any pledged property held by a creditor or a third party shall be collected by the assignee in bankruptcy and sold under this Chapter, unless by law it is provided that the creditor may sell it without court intervention.

(7) After receiving permission from the Fund, the assignee in bankruptcy may sell, prior to the approval of the liquidation plan, any of the following property:

1. (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) perishable products in the bankruptcy estate or property, rights and assets from the bankruptcy estate with a quickly diminishing value;

2. property of the bankruptcy estate, if necessary for the continuation of the bankruptcy proceedings.

(8) The permission of the Fund under paragraph 5 shall specify the minimum selling price and the selling method.

(9) (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) In the cases under paragraph 5 and 7, the Fund may allow the sale to be performed through direct negotiations or an intermediary.

(10) The acts of the Fund under this Article shall not be subject to judicial appeal.

Section IV

Appeal of Liquidation Actions

Right to Appeal

Article 88. Liquidation actions may be appealed before the bankruptcy court by a creditor of the bank or by a third party with independent rights over the property or right affected by the liquidation action.

Examination of the Petition

Article 89. (amended; Darjaven Vestnik, issue 59 of 2007, effective as of 1 March 2008; amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The appeal shall be reviewed in the Bankruptcy Court by a Chamber of three judges applying the respective provisions of Articles 435–438 of the Civil Procedure Code. The Court shall rule with an order, which shall not be subject to appeal.

Claims by Third Parties

Article 90. (1) Any third party whose rights have been affected by the liquidation may file a petition against the bank to establish its rights.

(2) The petition under paragraph 1 shall be filed before the bankruptcy court, which may, as a security measure, stop the liquidation procedure for the property or right that is the subject of the case.

Chapter Seven

Selling the Bank as an Enterprise

Conditions

Article 91. (1) (amended; Darjaven Vestnik, issue 98 of 2014) Upon expression of interest of potential purchasers, on request of the assignee in bankruptcy, the Fund may allow opening of a procedure for sale of the enterprise of the bank as a whole or in parts. The sale of the enterprise of the bank as a whole or in parts shall be performed through direct negotiation or through an intermediary, notwithstanding the terms and conditions of Chapter Six.

(2) In order to sell the bank as an enterprise, the assignee in bankruptcy may reduce proportionally the amount of its obligations so long as this does not put its creditors in a more unfavorable position than through the distribution of liquidated property.

(3) The bankruptcy court shall approve the deal upon the receipt of a written statement by the Fund and the central bank. It must be given not later than 30 days after it has been requested.

(4) The court shall verify that the deal is not in contradiction with the law and does not harm the interest of the bank's creditors under paragraph 2.

(5) The transfer of ownership prior to final payment of the price shall not be permitted.

Sale Procedures and Consequences

Article 92. (1) (amended; Darjaven Vestnik, issue 98 of 2014, effective as of 28 November 2014) A bank in bankruptcy may be sold as an enterprise only to another bank or banks that are licensed to conduct bank activity in Bulgaria.

(2) The transaction shall also be permitted when the joint stock company is established for this purpose if it receives from the central bank a conditional license to perform bank activity. In this case, the court shall approve the deal after issuance of the license.

(3) If the company under paragraph 2 meets the requirements, the central bank shall issue a conditional banking license that gives the right to perform bank activity after completion of the transaction. The license is issued only if the applicant has capital that would permit him to conduct bank activity in compliance with the established requirements after it has satisfied the claims of the creditors under the terms of the transaction.

(4) The purchaser is responsible only for the obligations it has assumed according to the terms of the deal approved by the court. The remaining claims and unexercised rights shall be extinguished.

(5) The rights on the shares of the bank in bankruptcy are extinguished, except for the right to a liquidation share if the purchaser has assumed the responsibility for its payment under the terms of the transaction.

(6) The claims of the creditors shall be satisfied through opening by the purchaser bank of demand deposit accounts with funds equal to the obligations assumed by the purchaser. This action shall be completed within one month after court approval. The purchaser and the creditors may also agree on other methods for satisfaction.

(7) If the central bank establishes that the purchaser has not performed its obligations under paragraph 6, it shall revoke the license.

(8) The court shall terminate the bankruptcy procedure after the completion of the sale.

(9) Acts of the court under this Chapter shall not be subject to appeal.

Chapter Eight

Distribution of the Liquidated Property

Conditions for Distribution

Article 93. Distribution shall be effected where sufficient cash is raised into the property of the estate.

Sequence of Claims

Article 94. (1) In the distribution of the liquidated property, claims shall be paid out in the following sequence:

1. claims secured by a pledge or mortgage – out of the proceeds from the sale of the collateral;

2. claims on which the right of distraint are exercised – out of the value of the property under distraint;

3. (amended; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) bankruptcy expenses, as well as expenses incurred by the central bank, the Ministry of Finance, the Bank Resolution Fund and the Investment Firm Resolution Fund in connection with the Law on the Recovery and Resolution of Credit Institutions and Investment Firms;

4. (amended; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) claims for which the Fund is subrogated;

4a. (new; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) claims of depositors that are natural persons or micro-, small and medium enterprises for the part exceeding the amount of the guarantee under the Law on Bank Deposit Guaranty;

4b. (new; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) claims of other depositors that are not covered by the deposit guarantee scheme;

4c. (new; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) claims of supplementary pension insurance funds;

5. claims of banks;

6. current payments owed to the social security scheme and having arisen within a year prior to the date of the judgment opening the bankruptcy proceedings, as well as claims resulting from employment relations having arisen within a year before the date of the judgment opening the bankruptcy proceedings;

7. current public legal claims of the state and the municipalities, such as taxes, customs duties, fees and others, and claims having arisen within one year prior to the date of the judgment opening the bankruptcy proceedings;

8. all other claims;

9. the claims under Article 4, paragraph 2, item 1;

10. the claims under Article 4, paragraph 2, item 2.

(2) Where cash is insufficient to fully satisfy the claims under paragraph 1, items 3–10, it shall be distributed among the creditors of the class on a pro rata basis.

(3) Where some property remains after satisfaction of the creditors, it shall be distributed among the shareholders in accordance with the rights of the shares held by them.

Distribution Account

Article 95. (1) The assignee in bankruptcy shall prepare a partial account for distribution of the cash available among the creditors holding claims accepted within the meaning of Article 69, paragraph 1 in accordance with the sequence, privileges and collaterals.

(2) The distribution account shall be partial until all debts are repaid or the property of the estate is fully sold, except for the unsellable property.

(3) The assignee in bankruptcy shall draw up a partial account and effect mandatory distribution when the cash raised in the bankruptcy estate exceeds ten per cent of the total amount of the claims of the respective class of creditors.

Allocation of Amounts for Disputed Claims

Article 96. (1) (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) An appropriate amount of cash shall be allocated in the distribution account to satisfy claims in the lists under Article 66, paragraph 7, items 2 and 3.

(2) Where only the secured status or the privilege is disputed, the claim shall be deemed unsecured pending the outcome of the dispute, and the amount that the creditor would have received for a secured claim shall be allocated in the distribution account.

Public Nature of the Distribution Account

Article 97. (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) Each distribution account shall be announced in the Commercial Register.

Objections to the Account

Article 98. (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) Any creditor may make written objections before the Management Board of the Fund against the distribution account within a 14-day period of the announcement in the Commercial Register.

Approval of the Distribution Account

Article 99. (1) The Management Board of the Fund shall issue a decision to approve the distribution account after making appropriate adjustments where irregularities are established, either officially or as a result of an objection.

(2) The approved account shall be performed by the assignee in bankruptcy.

(3) Entities who have made an objection under Article 98 may appeal to the bankruptcy court the account approved by the Fund within a seven-day period after issuance of the approval. The appeal shall be filed through the Fund.

(4) (amended; Darjaven Vestnik, issue 59 of 2007, effective as of 1 March 2008; amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) The Court in a Chamber of three judges shall review the appeal in an open session with summoning of the appellant, the assignee in bankruptcy, and the Fund. The Court shall

rule with a judgment within a seven-day period from the hearing where the appeal has been reviewed. The decision of the judge shall not be subject to appeal. In this case, the respective provisions of Chapter Twenty-one ‘Appeal of the Definitions’ of the Civil Procedure Code shall be applied.

Supplemental Inclusion of a Creditor in the Distribution

Article 100. (amended; Darjaven Vestnik, issue 33 of 2016, effective as of 26 April 2016) A creditor whose claim has been asserted and allowed under Article 65, paragraph 2, after distribution has started, shall join the subsequent distributions without any right for adjustment of the amounts already paid.

Satisfaction of Secured Creditors and Creditors with Right of Distraint

Article 101. The provisions of Article 724 of the Law on Commerce shall apply to the satisfaction of secured creditors and creditors with right to distraint.

Participation of Claims Subject to Suspension or Termination Conditions

Article 102. Claims subject to suspension or termination conditions shall be included in the distribution account and be satisfied under Article 725 of the Law on Commerce.

Supplemental Inclusion of Amounts

Article 103. The bankruptcy estate shall include the amounts newly collected from receivables of the bank and liquidation of property, as well as the amounts of claims abandoned by the creditors.

Final Distribution Account

Article 104. (1) The assignee in bankruptcy shall provide the Fund with the final distribution account and a report on the outstanding unpaid payments within one month after depletion of the bankruptcy estate, excluding unsellable property.

(2) (amended; Darjaven Vestnik, issue 61 of 2015, effective as of 11 August 2015) The final distribution account and a report on the outstanding unpaid payments shall be announced in the Commercial Register.

(3) The Management Board of the Fund shall issue a decision to approve the final distribution account and the report on the outstanding unpaid claims, after making appropriate adjustments where irregularities are established, either officially or as a result of an objection.

(4) The Management Board of the Fund shall issue a decision on the unsellable property from the bankruptcy estate.

(5) The final distribution account shall be performed by the assignee in bankruptcy within one month after the date of the decision under paragraph 3.

Chapter Nine

Conclusion of the Bankruptcy Proceedings

Conclusion of the Bankruptcy Proceedings

Article 105. (1) The bankruptcy proceedings shall be terminated by a judgment of the bankruptcy court, where:

1. the debts have been repaid; or
2. the property of the bankruptcy estate has been depleted.

(2) Within a month after the date of the decision under Article 104, paragraph 3, the assignee in bankruptcy shall submit a request to the bankruptcy court to close the bankruptcy proceedings.

(3) With the judgment under paragraph 1, the court shall declare the deletion of the bank from the Commercial Register.

(4) (amended; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006) The judgment under paragraph 1 shall be entered in the Commercial Register.

(5) (amended; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006) The judgment under paragraph 1 may be subject to appeal within a seven-day period after its entry in the Commercial Register.

Report of the Assignee in Bankruptcy

Article 106. (1) The assignee in bankruptcy shall submit to the bankruptcy court a report on his activities together with the request under Article 105.

(2) (amended; Darjaven Vestnik, issue 22 of 2015, effective as of 24 March 2015) The report under the foregoing paragraph shall be submitted also to the Fund and the central bank within the period for filing a request to close the bankruptcy proceedings. The Fund shall submit the report of the assignee in bankruptcy for information to the National Assembly within three days of its receipt.

Termination of the Powers of the Assignee in Bankruptcy

Article 107. (1) The powers of the assignee in bankruptcy shall be terminated upon closing the bankruptcy proceedings.

(2) The assignee in bankruptcy shall deliver the commercial books of the bank to the Fund.

Depositing of Unreceived Amounts

Article 108. At the instruction of the chairperson of the Management Board of the Fund, the assignee in bankruptcy shall deposit in a bank the amounts allocated in the final distribution for claims not received or which were disputed. The disposition shall not be subject to judicial appeal.

Termination of the Effect of General Attachment

Article 109. (1) The effect of the general attachment shall be terminated upon closing the bankruptcy proceedings.

(2) (amended; Darjaven Vestnik, issue 34 of 2006, effective as of 1 October 2006) The general attachment shall be deleted ex officio as from the date of entering of the judgment on closing the bankruptcy proceedings.

Discharge

Article 110. (1) Unasserted claims and unexercised rights in the bankruptcy proceedings shall be extinguished.

(2) Claims that are not satisfied in the bankruptcy proceedings shall be extinguished, except for those under Article 111.

Reopening the Bankruptcy Procedure

Article 111. (1) The closed bankruptcy proceedings shall be reopened with a judgment of the bankruptcy court when, within two years after the bankruptcy proceedings:

1. amounts allocated for disputed claims are released;
2. property that was not known at the time of closing the bankruptcy proceedings is discovered.

(2) Where the allocated amounts released and the newly discovered property are insufficient to cover the costs of the proceedings, the court may refuse to reopen the case, unless an interested party pays the necessary amount in advance.

(3) The bankruptcy proceedings shall be reopened upon written petition by the central bank, the Fund or a creditor with an accepted claim.

(4) The judgment to reopen the bankruptcy proceedings shall reinstate the powers of the assignee in bankruptcy and the bankruptcy bodies.

(5) The proceedings reopened shall continue from the final distribution account, which shall be deemed to be partial.

Chapter Ten

Administrative Penalty Provisions

Administrative Penalties and Property Sanctions

Article 112. (1) One who commits, or allows to be committed, a violation of this Law or of the legislative acts issued in its implementation shall be punished by a fine in the amount of BGN 400 to 2,500, unless the deed is a crime.

(2) If the violation stated under paragraph 1 was committed by a sole proprietor or a legal entity, a property sanction in the amount of BGN 3,000 to BGN 10,000 shall be imposed.

(3) The acts establishing violations shall be issued by persons authorized by the chairperson of the Management Board of the Fund, and the penal decrees shall be issued by him or by an official authorized by him.

(4) The drafting of the acts, the issuance, the appeal and implementation of the penal decrees shall be carried out under the Administrative Misdemeanors and Penalties Law.

Additional Provisions

§ 1. Within the meaning of this Law:

1. 'Related entities' shall be:
 - a) spouses and relatives in a direct line without restriction, for lateral lineage to the fourth degree inclusive, and for relatives by marriage to the third degree inclusive;
 - b) employer and employee;
 - c) partners;
 - d) entities, one of which participates in the management of the other one or in its subsidiary company;

e) entities in whose managing or controlling body participates one and the same legal entity or physical person, including when the physical person is a representative of a legal entity;

f) company and entity which holds more than five per cent of the shares or equity participation with voting rights in the company;

g) entities whose activities are controlled by a third party or its subsidiary company;

h) entities who jointly control a third party or its subsidiary company;

i) entities, one of whom is a commercial representative of the other;

j) entities, one of which has made a donation to the other one.

2. 'Administrator' shall be:

a) a member of controlling or managing board (board of directors) of a bank;

b) a person charged with management functions in the bank;

c) any other person who individually or jointly with other persons may conclude deals on account of the bank;

3. 'Distinct part' shall be an organizational unit that may engage in business on its own;

4. 'Depositor' shall be an entity who has the right according to the applicable legal and contractual conditions to receive the cash funds of bank account or the credit balances originating from the temporary positions resulting from normal bank transactions.

5. 'Interested creditor' shall be an entity with a claim against the bank, which claim's existence, amount, or possibility of collection are directly dependent upon the act subject of appeal in such a way that if this act is not reversed or altered, it is very likely that the creditor will suffer property damages.

6. (new; Darjaven Vestnik, issue 62 of 2015, effective as of 14 August 2015) 'Micro-, small and medium enterprise' shall be any enterprise whose annual turnover does not exceed the turnover provided for in Article 3, paragraph 1, item 2 of the Law on Small and Medium Sized Enterprises.

7. (new; Darjaven Vestnik, issue 22 of 2015, effective as 24 March 2015; previous wording of item 6; issue 62 of 2015, effective as of 14 August 2015) 'Originating in the bank' shall be any cash and/or property rights extended initially to a bank debtor, including the extended collateral, which have become, in the same or in an altered form, part of the patrimony of any third party, notwithstanding the number of interim transfers and their legal form.

8. (new; Darjaven Vestnik, issue 50 of 2015; former item 7; Darjaven Vestnik, issue 62 of 2015, effective as 14 August 2015) The TARGET2-BNB payment system is a national system component of the Trans-European Automated Real-time Gross settlement Express Transfer system, operated by the BNB and designed in line with the Guideline of the European Central Bank on TARGET2.

9. (new; Darjaven Vestnik, issue 22 of 2018) 'Reasonable period of time' shall be any period in which, given the normal business practice between independent traders, the consideration for a transaction can be expected to be realised, and such period may not be longer than 6 months.

§ 2. (1) Upon opening bankruptcy proceedings for a commercial bank that is an intermediary for servicing loans granted with funds from the Agricultural State Fund,

the latter is subrogated as the only and direct creditor with respect to the final recipients of the loans.

(2) The funds shall not be part of the bankruptcy estate and shall be transferred to the Agricultural State Fund where:

1. transferred from the State Agricultural Fund to the account of the commercial bank and designated for the crediting of the agricultural producers;
2. transferred from the final recipients to the account of the commercial bank and designated for servicing of loans allocated with funds of the State Agricultural Fund.

Transitional and Final Provisions

§ 3. At the proposal of the Bulgarian Deposit Insurance Fund, the central bank shall issue ordinances on the application of Articles 30, 32, 40 and 55.

§ 4. In the Law on Banks (published in the *Darjaven Vestnik*, issue 52 of 1997; amended, issues 15, 21, 52, 70 and 89 of 1998, issues 54, 103 and 114 of 1999, issues 24, 63, 84 and 92 of 2000, issue 1 of 2001, and issue 45 of 2002) Chapter Fifteen is repealed.

§ 5. The following amendments shall be made to the Law on Bank Deposit Guaranty (published in the *Darjaven Vestnik*, issue 49 of 1998; amended, issues 73, 153 and 155 of 1998, issue 54 of 1999, and issue 109 of 2001):

1. New item 4 in Article 8 is created:
'4. perform the functions and powers, as provided in the Law on Bank Bankruptcy.'
2. Item 6 is inserted in Article 11, paragraph 1:
'6. Article 42, paragraph 1 of the Law on Bank Bankruptcy is violated.'
3. Item 8 is inserted in Article 12, paragraph 1:
'8. carry out the powers of the Fund under the Law on Bank Bankruptcy, that are designated to be exercised through a decision by the Management Board.'

§ 6. (1) This Law shall apply to bank bankruptcy proceedings opened before it comes into force, with the exception of Article 94, paragraph 1. In cases referred to in § 46 of the Transitional and Final Provisions of the Law on Amendments of the Law on Banks (published in the *Darjaven Vestnik*, issue 54 of 1999; amended, issue 103 of 1999, issue 1 and 92 of 2000), the order for assignment is issued by the Bulgarian Deposit Insurance Fund, unless a purchaser has already been announced and has paid the price or has performed a setoff pursuant to § 46, paragraph 7.

(2) Within a 30-day period after the Law comes into force, assignees in bankruptcy shall submit to the Fund for confirmation a budget for the expenses for the period under paragraph 3, and a detailed report on the condition of the bankruptcy proceedings and all effective contracts on which the bank is a party.

(3) The powers of appointed assignees in bankruptcy shall be terminated upon the expiration of a three-month period after the Law comes into force. In such cases Article 29, paragraph 7 applies.

(4) At its discretion, the Fund may remove assignees in bankruptcy before the end of the period in paragraph 3.

(5) At the Fund's request, with a one-month prior notice, the assignee in bankruptcy may, without paying compensation for termination, terminate a contract with periodic payments concluded before the Law comes into force.

(6) The sales of property and property rights from the bankruptcy estate for which permissions under Article 717, paragraph 2 of the Law on Commerce are given shall be completed under current procedures if the sale has been announced before the Law becomes effective.

(7) Property and property rights from the bankruptcy estate for which there are permissions under Article 718, paragraph 1 of the Law on Commerce shall be sold pursuant to this Law if the sale has not been completed before this Law comes into force.

(8) Distribution accounts approved by the court before the Law became effective shall remain in effect and shall be executed by the assignee in bankruptcy.

(9) In the distribution of the liquidated property the claims of the creditors who made loans to banks after their placement under conservatorship under the repealed Law on Banks and Credit Activity (published in the Darjaven Vestnik, issue 25 of 1992; issue 62 of 1992 – Decision No. 8 of the Constitutional Court of 1992; amended, issues 59 and 109 of 1993, issue 63 of 1994, issue 63 of 1995, issues 12, 42, 90 and 100 of 1996; repealed, issue 52 of 1997), as well as the government claims that have been subrogated under the 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 be paid after the bankruptcy expenses.

(10) The pending appeal proceedings that were commenced before this Law takes effect shall be completed using the current procedure.

§ 7. This Law shall enter into force three months from its publication in the Darjaven Vestnik.

**Transitional and Final Provisions
to the Law on Amendment of the Law on Bank Bankruptcy**

(published in the Darjaven Vestnik, issue 22 of 2015,
effective as of 24 March 2015)

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§ 21. This Law shall also apply to the pending cases instituted upon request of the Bulgarian National Bank under Article 37, paragraph 2 of the Law on Credit Institutions or upon disputed administrative acts under Article 37 of the Law on Credit Institutions.

§ 22. This Law shall enter into force on the date of its publication in the Darjaven Vestnik.

**Transitional and Final Provisions
to the Law on Amendment of the Law on Bank Bankruptcy**

(published in the Darjaven Vestnik, issue 61 of 2015,
effective as of 11 August 2015)

§ 16. The provisions of this Law shall also apply to bankruptcy proceedings opened prior to enactment of this Law.

§ 18. This Law shall enter into force on the date of its publication in the Darjaven Vestnik.

**Transitional and Final Provisions
to the Law on Amendment of the Law on Bank Bankruptcy**

(published in Darjaven Vestnik, issue 33 of 2016,
effective as of 26 April 2016)

§ 29. The provisions of this Law shall also apply to bankruptcy proceedings of banks opened prior to its enactment, and the contracts concluded thereof.

§ 32. The assignee in bankruptcy of a bank in bankruptcy proceedings shall announce the list under Article 62, paragraph 12, item 5 of the Law on Credit Institutions within six months after the enactment of this Law.

§ 33. This Law shall enter into force on the date of its publication in the Darjaven Vestnik.

**Transitional and Final Provisions
to the Law on Amendment of the Law on Bank Bankruptcy**

(published in Darjaven Vestnik, issue 22 of 2018, effective as of 16 March 2018)

§ 5. (1) Any deregistration of collateral established by debtors or third parties in favour of the bank, made by the conservators, the temporary assignee in bankruptcy and the assignee in bankruptcy of "Corporate Commercial Bank" AD (in bankruptcy) during the period from the date on which the bank was put under special supervision till the date of opening of the procedure for liquidation of the bank's property, shall be null and void. The collaterals established shall be considered valid and shall keep their order.

(2) Paragraph 1 shall not be applied in the cases where the bank's claim is repaid in full through a cash payment.

(3) The time limits envisaged in the relevant laws with respect to the validity of all collaterals established by debtors or by third parties in favour of the bank shall not run for the time from the date on which "Corporate Commercial Bank" AD (in bankruptcy) was put under special supervision till the expiration of a six-month period from the entry of this Law into force. Until the expiration of a six-month period from the entry of

this Law into force, "Corporate Commercial Bank" AD (in bankruptcy) can renew each collateral for a new time period.

(4) Collaterals are enforceable against any third party regardless of the way in which it has acquired the asset.

§ 6. (1) Any transfer or series of transfers of shares and/or units in commercial companies, closed by a debtor of the bank after the date on which "Corporate Commercial Bank" AD (in bankruptcy) was put under special supervision, shall be invalid with respect to the bank and the bankruptcy creditors.

(2) Within a 5-year period from the opening of the bankruptcy proceedings the assignee in bankruptcy, the temporary assignee in bankruptcy or the BDIF may bring motions to the bankruptcy court for declaring the invalidity of a transfer or a series of transfers of shares and/or units under paragraph 1.

§ 7. This Law shall furthermore apply to bankruptcy proceedings initiated before its entry into force.

§ 8. Article 59, paragraphs 5, 6 and 7 shall apply as of 20 June 2014.