

# **BANK PRIVATIZATION IN BULGARIA — A COMPARATIVE STUDY TO HUNGARY AND POLAND**

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## **Introduction**

The main task of financial institutions in Bulgaria is to support the transformation of the economy to a market-based system. They have effectively to influence the savings and investments process.

This paper is to compare the bank privatization process in Bulgaria with the same process developing in Hungary and Poland. The purpose is not broadly to assess bank privatization stage in the three mentioned countries. Rather the paper focuses on the Bulgarian experience. The comparative approach is not applied to achieve any qualification assessments, but to make the Bulgarian practice more visible. Additional arguments for the approach chosen is the fact that still there is more an insufficient information on bank privatization in Bulgaria than on the same process in Hungary and Poland.

## **I. Institutional structure**

In the three countries commercial banking started on a different way before political changes. In Hungary and in Bulgaria entities like commercial banks have been set up in the 80<sup>ies</sup>. During this period steps have been taken in Bulgaria to divest commercial banks activities to legally independent bodies called commercial banks. During the centrally planned period of the economy the Bulgarian government was one of the first in Eastern Europe to set up (dispute the Foreign Trade Bank), a Bank for Economic Initiatives (Mineralbank) as a joint stock company to encourage the small and medium enterprises' activities. During that time the banking system in Bulgaria still consisted of only four banks<sup>1</sup> This is a different approach in comparison to Hungary where during the 80<sup>ies</sup> the government policy stressed on foreign banking capital to be attracted into the country.

### **Specialized commercial banks**

The year 1987 is the point since which the period of creating banks started. Seven new banking entities have been set up. They were closely connected with economic sectors (electronics, transport, agriculture, etc.). They had to provide credits in Bulgarian Lev (BGL) and in foreign currencies. These banks could participate with their own assets in companies, firms. They were owned by the BNB, the Bulgarian Foreign Trade Bank and state enterprises from the sector in charge. This created a conflict of interests between owners and bank management, which resulted in increasing of non-performing loans of these banks.

In 1989 the government abolished specialization of banks allowing them to function as universal banks.

### **Small commercial banks (former BNB branches)**

In 1989 new 59 state commercial banks, former BNB branches, have been created. The process is similar to the Polish one, where 9 banks on the same way arose.

Most of these banks were connected with geographic region. Thirty two of them had no branches and the remaining 27 had one or three. The BNB owned 65 — of their total stock.<sup>2</sup> In 1991 by law commercial banking conducted in the past by the central bank (the Bulgarian National Bank — BNB) has been taken out of its legal characteristics. This however did not take away the dependence of commercial banks from the BNB in the management of their assets and liabilities.

### **Private banks**

The largest and first to have been established was the First Private Bank.

In the 90<sup>ies</sup> 15 private banks (with a between 1,5% and 15% state participation) started their activities.

In 1991 Bulgier had 75 commercial banks. In 1995 the number of banks is 42.

## **Foreign banks**

Foreign banks in Bulgaria are from Austria(Raiffeisenbank, Netherlands (ING-Bank), France and Germany(BNP-Dresdner Bank)Greece (Xiosbank, Union Bank). No foreign banks have been presented in Bulgaira before political changes.<sup>3</sup>

There is no a practice foreign banks to buy small banks like in Hungary. This is one of the ways Hungarian banks to get access to joint ventures of Hungarian enterprises with foreign partners.<sup>4</sup>

Assessing the expertise of Bulgarian commercial banks it is worth noting that none Bulgarian commercial bank has experience in placing an international bond issue.<sup>5</sup> The transformation process in Bulgaria and Hungary has been made easier by the financial sector reforms started before political changes in 1989.

## **II. The BNB mergers and sales program**

The BNB designed a merger and sale program for commercial banks The BNB and the World Bank considered commercial banks to be too many to function effectively. They had to be merged to seven or ten large banks. After on, their shares had to be sold to private domestic and foreign investors. The program covers several activities:

- o The first was to set up a Bank Consolidation Company (BCC) as a state-owned holding company. The BNB and state enterprises had to transfer their ownership in banks to the BCC in exchange for shares of the holding company. After the state-owned enterprises and firms exchanged their shareholdings in commercial banks for shares of the BCC the BNB remained the largest institutional shareholder of the commercial bank sector. The other owners are seven ministries. Both the government through these seven ministers and the BNB are presented in the Board of Directors of the BCC.
- o The BCC was entitled to execute control over banks as it had the majority of ownership in them. BCC officials participated on banks' board of directors annual meetings and applied BCC voting rights.
- o One of the main goals of the BCC was to consolidate the existing state-owned commercial banks into seven or ten large banks. The process had to start in October 1991 and to be completed by the end of February 1992.
- o The next task of the BCC was to reevaluate bank assets and liabilities after commercial banks' mergers.
- o After completing this activity the BCC had to start selling shares in the banks to private domestic and international investors. The BCC had to use revenues to repurchase its own shares.
- o This had to be the way the BCC to liquidate itself.<sup>6</sup>

After the announcement of the program big structural changes have been anticipated. For this reason most of the banks postponed all major decisions. They reassessed their intentions for activities expansion.

## **III. The quality of commercial banks' assets**

The quality of assets is a very important issue when privatizing banks. Currently, safety, soundness and compatibility of this sector are of vital concern. There are several reasons for this.

In the three countries the deterioration of banks' loan portfolios was a big problem. This made state intervention necessary. In Hungary a package of measures, (called bank consolidation) have been applied. One of the purposes was to enable banks to collect necessary provisions and the other was they to raise their capital adequacy ratios.

In Bulgaria, Hungary and Poland it has become increasingly apparent, that commercial banks are not in the condition to finance the transition. Main reason for this was the large part of non-performing loans in banks' portfolios. The scope of the problem varies from country to country but it persists in all three countries. The problem is especially hard in large state-controlled commercial banks. There have been applied several methods to solve the problem.

- o The three countries have oriented their policies to a combination of cleaning the balance sheets of and recapitalizing the commercial banks.
- o The concrete scheme applied is the debt-for-bond swaps. The scheme entails substituting treasury bonds for bad loans with the aim to replace bad assets with assets of good quality.

- o The bonds have floating coupon rates and grace periods.
- o Parallel, banks have been required to make loan loss provisions.

The main difference lies in the approach. In Hungary a centralized approach has prevailed. Bad loans and the responsibility for loan work-out were passed to the Hungarian Investment and Development Corporation. Poland's scheme, in contrast, followed a decentralized approach. It temporarily gave commercial banks substantial flexibility in restructuring indebted enterprises through debt-equity swaps, debt rescheduling and sale of bad debt on a secondary market.<sup>7</sup>

During the centrally planned period loans were made without regard to the creditworthiness of the borrowers. These loans have been defaulted and cause problems in the bank's portfolios. The bad loans account for a significant part of the banks' outstanding assets. Currently, non-performing loans continue to rise. Asset problems occurred because of the close relationship between the state-owned banks and the state-owned enterprises. Banks gave automatic loan renewals, built up new non-performing loans and capitalized on interest.

There are some typical features of the Bulgarian problem:

- o This is the big amount of non-performing loans. At the end of 1990 non-performing loans were BGL 21,3 bln and accounted for more than 50 — of commercial banks outstanding loans. This figure was equivalent to 34 — of the GDP.<sup>8</sup>
- o Management problems of private commercial banks lead them to a situation to “compete” with state-owned banks in collecting non-performing loans. Currently, both private and state-owned banks are facing the problem.
- o As a result, the origins there are two principle sources of losses banks have: the bad debts made during the plan economy period and passed on to banks created out of the BNB commercial banking activities and the non-performing loans arisen as a result of bad management by the banks themselves.

In December 1993 a Law on Settlement of Non-performing Loans Negotiated till 31 December 1990 (LSNL) has been adopted by the Parliament.

The last proposal is from the Finance Minister<sup>9</sup>. He proposed the Parliament to accept an additional issue of government bonds with a normal yield and they to exchange with the ZUNK-bonds of Economics Bank and Mineral Bank.<sup>10</sup> The decision will affect the final version of the state budget. According to a statement of its governor the BNB is in a position to buy ZUNK-bonds from the two banks in an amount of BGL 42 bln.<sup>11</sup>

In comparison to other Eastern European countries where the bad debt problem has been solved firstly Bulgaria delayed the decision on solving the bad-debt problem of commercial banks. These are bad debts from the past when decisions to grant credits to state owned enterprises have not been taken by banks but by the government. Since 1991 governmental bodies tried several times to find the way.

The Bulgarian way of dealing with the massive overhang of bad or doubtful debt in the local banking system is not clear and consistent one. Steps have been taken after which it is evidently that the debt is not reducing but worsening.

At the end of 1993 a Non-Performing Loans Settlements Law has been adopted. The government issued 25-year-bonds in local currency and in US Dollar. For the first two years the interest rate on them equals 1/3 from the basic interest rate, till the end of the seventh year — 1/2 of it and after on — the interest on them will be equal to the basic interest rate. Under this law are treated all credits granted till the end of 1990. All they have been considered as non-performing loans. Now banks argue, that in some cases they could receive almost 100% interest payments instead of 20% on government bonds (known as ZUNKs). At the same time on deposits they had to pay 68 - 70% interest.

The intention was to implement this law as a radical solution of the problem. It proved however to give only temporary results. The efforts declared were in restructuring the commercial banks credit portfolio risk. Decapitalization of banks continued.

Secondary market of the long-term government bonds issued to restructure bad debt loans is thin and illiquid because the BNB determines a minimum selling price of these internal debt bonds. The policy pursued is changing often following different tasks: to favor or not the Bulgarian Brady bonds use as an privatization investment instrument. Thus changing both regulations on Brady bonds or making the ZUNKs price unattractive government seems to follow an unpredictable policy.

A nervous approach to the bad-debt problem has been applied by the last government. There are two views presented:

o The Minister of Industry does not consider the bad-debts of state-owned commercial banks as a problem<sup>12</sup>. In his view both lenders and borrowers are state-owned, so there is no reason to be worried about the BGL 30 bln bad debts of state-owned industrial enterprises<sup>13</sup>. He did not agree enterprises with debts to commercial banks to be liquidated, to sell parts of them because of nonpaid loans.

The Minister's idea has been presided to a proposal banks to become commercial banks' shareholders. Under these conditions banks can be forced to grant loans to state-owned enterprises.

o The special attention of the government have attracted two big state-owned problem banks. During almost a month the government and the BNB seeked a interim decision.<sup>14</sup> Proposals for the have been discussed actively, solution however has been delayed.<sup>15</sup>

The measures on solving the banking system are the precondition for signing the stand-buy agreement with the IMF. The IMF mission in Bulgaria in March discussed the two problem state-owned banks (Mineralbank and Economics Bank). An idea was presented the BNB to buy part of the ZUNKs of these banks. The deal amounts between 9 and 12 bln. BGL. The IMF condition to be fulfilled is these two banks to further operate without any refinancing by the BNB. The final decision has to be taken by the government. Recently (March 1995) the Bulgarian National Bank has injected these two state-owned banks (the Economics Bank and the Mineral Bank) with BGL 4,2 bln<sup>16</sup>. The government do not agree with injecting money to these banks. The Minister of Finance shares the opinion, that the two problem banks have to stress first of all on collecting money lent to clients in the past.

Authorities are unwilling to leave imprudent banks to fail. At the same time authorities give no signs to solve the problem soon. Intervention can be justified by the desire either to help or to keep banks out of danger. Postponing intervention takes bank management out of responsibility. Meanwhile, this undermines banks' competitiveness and further encourage them to take risks. Consequently, a reasonable question arises: do authorities prevent present bad banks to become future good banks?

Summarizing it is to point out, that commercial banks are currently facing a number of problems: inadequate capital base, high interest rates, tight refinancing conditions. Many banks are lending money at or below their funding costs to customers. In December 1994 commercial bank interest rates on short-term credits were by more than 45 percentage points higher than the interest rates on their time deposits.<sup>17</sup> This difference widened by nearly 15 percentage points since December 1993.<sup>18</sup>

One of the biggest problems is the assessment of risk when lending money. Only few enterprises follow strictly accounting schemes and prepare accounting records. At the same time commercial banks lack expertise in assessing creditworthiness of clients. Increased disclosure could provide the banks with an explanation of how the client will perform in the future.

#### **IV. Privatization of banks**

The banking system is a major conduit for savings. Since money markets and capital markets are underdeveloped, the savings function of the commercial banks is significant. Banks are firms with specific characteristics. They use a wide range of resources outside of the bank. To manage these resources effectively they need the ability to make decisions independently, without government guidance.

The Bulgarian banking system has to be transformed.

The transformation of state-owned banks is a precondition of privatization. The legal framework to transform state-owned banks into joint-stock companies have been established in the three countries (in Hungary and Poland already in 1987-88 and in Bulgaria in 1988).

Most of the big banks are still in state ownership. Unlike in Poland and Hungary politicians in Bulgaria have not realized this. In Hungary, for example, the state's stake in the banks is to be reduced to essentially 25% by 1997.<sup>19</sup>

Other typical feature of the structure of the Bulgarian banking system is the BNB policy to give licenses for the establishment of new private commercial banks. Now in the country 15 private commercial banks are functioning.

##### **1. The philosophy**

Privatization of commercial banks has been considered as a part of the financial sector reform in Bulgaria. During these 5 years after political changes, authorities' acceptance of expected positive impact of bank privatization and their policy reaction develop inconspicuously.

On the other hand, some policy makers believe that as state-owned banks exist in the form of joint stock companies, there is no need to discuss the privatization issue. There is a lack of common understanding that to base commercial banks on private property rights is of crucial importance.

According to prevailing views, the new established private banks have not shown substantial positive management changes and results. Private shareholders do not pressure banks to become more cost efficient in their operations. Private banks are exposed to the problems of asymmetric information between lenders and borrowers. Even relying on private ownership the lending decisions of these banks are not predominantly based on the creditworthiness of their clients. Consequently, privatization can not force managers to work in the interest of the shareholders. On these basis, there should be no reasons to expect very much from the privatization of state-owned banks too. The main positive development could be that through the privatization process new capital (both foreign and domestic) is expected to flow into the banks and help recapitalize them.

A very important question is the quality of the management in state-owned commercial banks. The process of replacing managers has begun. However the process has taken place for political reasons and not basically for economic or business reasons. Governments has repeatedly sought to politicize this particular topic. On this background governments have to be prepared to take the consequences of their actions.

Many enterprises are commercial banks' borrowers. They already owe the banks money which they are finding it difficult to repay. If the banks purchase shares in enterprises which ultimately fail, they will find themselves overexposed. These could lead to a series of bank failures.

The role of Western banks in bank privatization in Bulgaria is still not clear. To compare, in Hungary and Poland a policy of using Western banks' management in local banks has been pursued. In Poland the intention was to privatize most of the nine commercial banks hived off from the central bank. A clear ownership structure has been presented<sup>20</sup>. No "twinning" has been applied like in Poland, where the Western bank had to take responsibility for the modernization of the Polish bank through a formal management contract.<sup>21</sup>

In contrast to Hungary (where the Hungarian Foreign Trade Bank will be the first to be privatized), in Bulgaria there are no intentions to privatize the Bulgarian Foreign Trade Bank (currently named Bulbank.<sup>22</sup>

In Bulgaria the centralized method adopted gives a limited field for bank decision makers to think on privatization. Where this method had been avoided more readily state-ownership had been sold. The decentralized method prove to be both swift and successful.

## **2. Who has to take the decision**

### **1990 — early 1992**

The banking regulations in force between 1990 and the spring of 1992 allowed natural persons to acquire shares in banks. The banks' capital however could be raised only with the BNB permission. (At the end of 1989 the small commercial banks were transformed into joint stock companies. The BNB authorized them to sell shares to natural and legal persons. Later, legislation became more complicated with the adoption of the Law on the establishment of single-person commercial companies with state participation). Two methods have been applied to that time to set regulations at defiance:

- the sale of new shares mainly to private companies<sup>23</sup>
- the sale of bank shares held by enterprises.

### **1992**

In 1992 there were good conditions commercial banks to be privatized. The opposite arguments were, that first the banks have to be consolidated and after completing this process they will be ripe for privatization. The other argument was that privatization has to start with the real, but not whit the financial sector.

### **1993**

In July 1993 the Economic Commission of the Parliament hardly criticized the process of untransparent bank privatization. The final conclusion was that the BNB, the biggest BCC owner, has no right to participate in the process of banks privatization.<sup>24</sup> Additionally, the Socialist Party

member of the Commission proposed a procedure to be established to make the banks privatization process more transparent for the Parliament.

There are 8 banks created after consolidation initiated by the BCC. These are the United Bulgarian Bank, the Balkanbank, Hebrosbank, Expresbank, Sofiabank, Bulbank, Biochim.

The BCC Statutes allows privatization to start with banks in which the BNB ownership is below 33 —. On this basis a Government Privatization Project has been drafted. It involved four banks (First East International Bank, TouristSport Bank, I and Dobrudja Bank) with a 1,5 — — 32,1 — state participation. In November 1993 however, the government and the Parliament extend the moratorium on bank privatization by the end of 1994. The realization of the project has been postponed several times. Actually the project started realization in 1995.

The unclear legal framework after 1989 and the unpersistent authorities' policy made appropriate conditions for illegal privatization methods.

### **3. Program on decreasing the state ownership in commercial banks**

One of the ways to decrease BCC ownership in state owned banks was to increase capital adequacy requirements.<sup>25</sup> There are practically three possibilities banks to increase capital:

- a. The commercial bank to issue new shares. The decision has to be taken by the General Meeting of banks' shareholders;
- b. The BCC to directly sell its shares on the basis of reinvest a part of the profit gained;
- c. to merge capital with other banks.

According to the Council of Ministers Program on decreasing state ownership in commercial banks some practical steps have been undertaken:

a. The first deal was in November 1994 when the BCC (owning 51 000 shares equal to 42% of the bank capital) allowed the Bank for Agricultural Credit to increase capital. After capital reached BGL 500 mln. State ownership remained within 25%, which after has been bought by a private person.

b. Hebrosbank, a Plovdiv based bank set up through consolidation in 1994<sup>26</sup>, the BCC capital share in it is to be 42%. The shares of stock have been traded on stock exchanges. At the beginning of February 1995 the price was under face value. In mid-February prices went up by 2%, when 1000 shares have been sold on the First Bulgarian Stock Exchange on par value (1000 BGL).

c. In Balkanbank the BCC has to diminish ownership to 60,3%. In 1992 the Balkanbank's price on the secondary market was on the level of 3000 BGL. Since the bank became a problem bank with a loss of 1,2 bln. BGL for 1993 fiscal year, prices went down and in July 1994 reached the level under 2000 BGL. This was the last quotation in 1994. In early 1995 the price dropped to 1130 BGL.<sup>27</sup>

d. In early 1995 the lot fall upon the First Financial Broker House to sell the share of BCC in the First East International Bank capital on the two stock exchanges in Sofia. The BCC requires from the broker to sell two preferred stocks with voting rights together with one preferred stock without voting rights. The contract with the broker includes the price and other terms of the deal.

e. Agrobusinessbank

The procedure was similar to that applied to First East International Bank

d. Expresbank

At the beginning of the process BCC did not wanted to exercise the right to buy shares of the Expresbank new issue. Shares were to be sold on a tender offer both to local and a foreign investors.<sup>28</sup> As a result of increasing capital by BGL 200 mln. to BGL 713.23 mln. the amount BGL 164.314 mln. to be sold was equal to the BCC percentage participation in the Expresbank. On the bank annual meeting the BCC confirmed its intention not to buy shares from the new issue. Accordingly, this should lead to an decrease of BCC ownership in the Expresbank from 93% to 67%. The BCC board of directors however did not make the choice among auction participants, one of which was a foreign bank. As a result, state-ownership remained of 93 —.

After the BCC started realizing the Council of Ministers program secondary market of bank shares of stock became more active. The lack of big investors to buy blocks is the reason the market to remain sluggish.

#### 4. Current bank privatization government approach

The government is assessing the actions of the BCC and is not satisfied by the passive behaviour of the BCC on the field of privatization of banks. The government intention is to reorganize the BCC into a department of the Ministry of Economic Development.

Still it has not presented a program for privatization of banks. However high government officials' perceptions are very ambitious: to keep one or two strong state-owned banks and the remaining to privatize<sup>29</sup>.

#### 5. Bank privatization projects for the future

The United Bulgarian Bank (UBB) is running a project with the EBRD which can be finalized by privatization. The intentions are the EBRD to open a credit line at an amount of 80 mln ECU. During privatization of the UBB the EBRD will acquire till 35% of the bank capital.<sup>30</sup>

#### Conclusions:

In comparison to Hungary and Poland the bank privatization process in Bulgaria shows several typical features:

In Bulgaria a centralized method for preparing banks for privatization has been adopted. It gives a limited field for bank decision makers to think on privatization on a concrete way. Where this method had been avoided more rapidly state-ownership had been sold. The decentralized schemes prove to be both swift and successful.

Solution to the bad debt issue has not been in Bulgaria directly linked to privatization of commercial banks. Consequently, it has not been positioned as a one time measure. Expectations exist on further government intervention, thereby exacerbating the moral hazard problem.

Banks have not been made responsible for dealing with the bad debt problem. Rather, they have been encouraged to wait, which deepened the problem.

The authorities policy to postpone decisions in order to avoid responsibility during unclear political periods lead banks to more troubles.

The centralized privatization scheme situated in the power of a weak institution like the BCC additionally worsened and delayed the bank privatization process. To a great extent the share of private commercial banks in Bulgaria is due to the BNB policy to license new established commercial banks.

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<sup>1</sup> The Bulgarian National Bank, the Bulgarian Foreign Trade Bank, the Mineralbank, the Savings Bank.

<sup>2</sup> Ravicz, M. The Bulgarian Banking System, Bank Review, 2/1992, p. 32.

<sup>3</sup> To compare, today more than 13 foreign banks are active on the Hungarian banking sector. The Banking Act allows foreign banks to compete with Hungarian commercial banks. The share of the foreign banks activity in Hungary amounts more than 10%—15%. In Hungary are Citibank, Creditanstalt Bankverein, Nomura Bank.

<sup>4</sup> One example is the Italian Istituto Bancario San Paolo di Torino which has a 27% shareholding in the Inter-Europa Bank specialized in joint venture financing.

<sup>5</sup> In comparison, the Hungarian Foreign Trade Bank has placed USD denominated issues in Germany amounting more than USD 60 mln. to finance Hungarian companies .

<sup>6</sup> Bulgarian National Bank Report on Banking Reform, 1991.

<sup>7</sup> Gurgendze, L. Securitization of Non-performing Loans in Transitional Economies, IEWS (NY) Manuscript, 1993.

<sup>8</sup> Ravicz, M., p. 33.

<sup>9</sup> Pari daily newspaper, 12 April 1995.

<sup>10</sup> The Ministry of Finance and BNB will further discuss the issue.

<sup>11</sup> Pari daily newspaper, 12 April 1995.

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<sup>13</sup> Банкеръ, 3.04.1995.

<sup>14</sup> Unfortunately, the press coverage of the ideas shows that the government' and the BNB's statements hardly affected the image of the two banks. On the 7 of March their clients and lenders have been informed that till early April one of the two banks will be liquidated. On the next day BNB announced its

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idea to buy on face value 70% of the ZUNKs owned by both of the banks if the government adopts the proposal.

<sup>15</sup> One of the proposals how to financially support the Economics bank was to lend US\$34 mln. from the State Fund on Reconstruction and Development to one of the big Economics Bank's borrowers. Instead to grant the money through the bank to which the government is the biggest borrower (Kremikovtzi is a metallurgical plant served by Economics Bank) the government preferred another commercial bank as a technical lender.

<sup>16</sup> Капиталов пазар, 13/1995

<sup>17</sup> Bulgarian National Bank Monthly Bulletin, 1/1995, p. 27.

<sup>18</sup> Ibid., p. 27.

<sup>19</sup> Schmidt-Chiari, G. Some Remarks on the Development of the Banking and Capital Markets in Central and Eastern Europe, CA Quarterly IV/1994, p. 33.

<sup>20</sup> Twenty per cent for a Western bank, 40-50 per cent for Polish investors — private or institutional, 10 per cent for the banks personnel and 20-30 per cent to be kept by the state.

<sup>21</sup> Only until 1991 five twinings have been arranged with banks from five EC countries (Christopher Bobinski, Polish bank in "Twinning" Deal with West, Financial Time, July 12, 1991)

<sup>22</sup> J.P. Morgan acts as government adviser in the privatization process.

<sup>23</sup> The unclear legal framework after 1989 and the unpersistent authorities' policy made appropriate conditions for illegal privatization methods.

<sup>24</sup> Continent daily newspaper, 15 July 1993

<sup>25</sup> At the end of December 1994 the Bulgarian National Bank revised the Capital Adequacy Regulation N 8 which requires commercial banks to increase capital to 450 bln BGL (when having activities on the internal foreign exchange market) and to 800 bln BGL (when having activities on the international foreign exchange market).

<sup>26</sup> Plovdiv bank, Agricultural Cooperative Bank and other smaller commercial banks from the region

<sup>27</sup> Капитал-прес, 20-26 Febr., 1995

<sup>28</sup> Капиталов пазар, 12/1995

<sup>29</sup> According to a statement of Roumen Getchev, Deputy Prime Minister (Pari daily newspaper, 14 April 1995).

<sup>30</sup> According to a statement of BNB deputy governor Mileti Mladenov.