



Bulgarian National Bank

**TO
EXECUTIVE DIRECTORS
OF BANKS
TO
MANAGERS OF FOREIGN
BANKS' BRANCHES**

Liquidity buffers and survival periods guidelines

Dear Chief Executive Officers,

Herewith we would like to inform you that on the website of the Bulgarian National (section *Banking Supervision*, sub-section *Liquidity*) you can find published the Guidelines of the BNB regarding liquidity buffers and survival periods. These Guidelines are developed based on the corresponding Guidelines of the European Committee of Banking Supervisors (CEBS), issued on 9 October 2009. Their main purpose is to assist banks in developing and implementing effective internal liquidity management processes. The document provides a framework for determining the size of the buffers, based on the results of the bank stress-tests, conducted for longer time periods and their short-term impact within two separate time horizons ("survival periods"): up to one week and up to one month. Liquidity buffers are built using cash and other assets that provide liquidity on a short notice and at a predictable price. Banks should undertake measures for their timely implementation.

Within the framework of the supervisory review and evaluation process (SREP), the BNB

will periodically review the levels, composition and quality of liquidity buffers held by banks. This is a prerequisite for the BNB to apply supervisory measures, including with respect to the size and composition of the respective liquidity buffer, once there are shortcomings in liquidity risk management in exceptional circumstances and periods of stress.

RESPECTFULLY YOURS

**BNB Deputy Governor
Banking Supervision Department**