

Approved by

Approved by

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**RULES**  
**FOR TRADING, CLOSING AND MONITORING OF TRANSACTIONS IN**  
**GOVERNMENT SECURITIES ON THE BLOOMBERG E-BOND SYSTEM**

**Chapter One**  
**General**

**Art. 1.** (1) These Rules shall establish the terms and procedure for trading, closing and monitoring of transactions in government securities (GS) concluded on the E-Bond system operated by BLOOMBERG FINANCE L.P., New York, USA.

(2) The E-Bond system is an electronic functionality to the Bloomberg Professional platform for trading of securities.

**Art. 2.** All securities, issued under the Ordinance № 5 of the Ministry of Finance (MoF) and the Bulgarian National Bank (BNB) of October 4, 2007 on the Terms and Procedure for Acquisition, Registration, Redemption and Trade in GS (Ordinance № 5 of 2007) denominated in BGN and EUR, registered and kept in participants' GS accounts in the systems operated by the BNB pursuant to Article 2 paragraph 4 items 3 and 4 of the Ordinance, shall be admitted to trading on the E-Bond system.

**Art. 3.** Participants in GS trading on the E-Bond system may be only participants in the Electronic System for Registration and Servicing of Trade in GS (ESROT) under Chapter Three of these Rules.

**Art. 4.** On the E-Bond System shall be concluded only transactions in GS under Article 16, paragraph 1, item 1 of Ordinance № 5 of 2007, on own account and in GS held by the participants.

**Chapter Two**  
**Admission of Government Securities Issues to Trading on E-Bond**

**Art.5.** (1) Admission to trading of securities under Article 2 shall be made by their registration on the E-Bond system.

(2) Registration of GS issues is carried out by Bloomberg based on a notification by the Ministry of Finance of the parameters of all issues under Article 2, as well as of each newly issued GS issue.

- Art. 6.** (1) Bloomberg shall maintain on the trading platform a complete list of GS issues admitted to trading on the E-Bond.
- (2) MoF shall ascertain that the list of GS issues under paragraph 1 is up-to-date.

### **Chapter Three**

#### **Participants in GS Trading on the E-Bond**

**Art. 7.** (1) To participation in GS trading on the E-Bond shall be admitted:

1. ESROT participants within the meaning of Article 3, paragraph 1, item 1 of Ordinance № 5 of 2007 - primary GS dealers approved by the Minister of Finance pursuant to Ordinance № 15 of 2007 of the MoF and the BNB on control over GS transactions (Ordinance № 15 of 2007)

2. Other ESROT participants within the meaning of Article 3, paragraph 1, items 2, 3 and 4 of Ordinance № 5 of 2007.

(2) ESROT participants under item 2 of the above paragraph shall be admitted to participation in trading on E-Bond following a decision of the Minister of Finance and the Governor of the BNB.

(3) In cases where circumstances under Article 8, paragraph 5 of Ordinance № 15 of 2007 exist in respect of a participant – primary dealer, and he is excluded from the primary dealers list, it passes to the participants category under paragraph 1, Item 2.

(4) Termination of a participant's participation in the ESROT shall lead to the termination of its participation in the E-Bond.

(5) MoF and BNB shall have access to E-Bond without trading rights, in order to perform their monitoring functions in respect of the GS market.

**Art. 8.** BNB shall maintain an updated list of ESROT participants on its official website, and it shall notify Bloomberg of any changes in it.

### **Chapter Four**

#### **Trading and Terms for Concluding Transactions**

#### **Section One**

##### **Posting Firm Quotes**

**Art. 9.** (1) Quotations shall constitute an order in the system for:

1. Sale of a certain amount of GS at a certain fixed price;
2. Purchase of a certain amount of GS from the same or another issue at a certain fixed price.

(2) The quotations shall be displayed in the system anonymously in terms of price, and in terms of yield as well.

(3) Each E-Bond participant shall introduce counterparties it can trade with. If an E-Bond participant does not have an approved line of transactions to another participant, the E-Bond system will prevent a transaction, although on-screen quotes are anonymous.

(4) Quotes shall only be valid for transactions for purchase or sale of GS with an execution term of 2 (two) business days.

**Art. 10.** (1) The minimum quoted volume shall be BGN 500 thousand.

(2) Each quote shall be to an amount of at least equal to the minimum amount as specified in paragraph 1, by a multiple of 1.

(3) The definition of a volume of BGN 500 thousand shall apply only to firm quote "bid" of 50% of "on-the-run" issues, which each participant shall be obliged to declare. Beyond that obligation, each participant may provide firm quotes and trade any issue with an amount specified by it.

**Art. 11.** Trading shall be effected on yield basis or on price basis, on a three decimal places-level.

**Art. 12.** The maximum spread between "bid" and "ask" may not exceed 50 basis points reflected in yield.

**Art. 13.** (1) Quotes can be changed at any time, but each E-Bond participant shall conclude the transaction at the yield/price quoted, within the volume offered, for the orders that have been confirmed before implementing the change.

(2) Within 15 minutes after the conclusion of a transaction on a certain GS issue, the E-Bond participant shall consider what bids to display on the same issue and change them accordingly.

## **Section Two**

### **Posting of „Request for Quote” (“RFQ”) Based Quotes**

**Art. 14.**(1) RFQ based quotes shall result from an interest expressed by a participant to buy or sell a certain amount of GS to another participant or group of participants. Quotes shall be bilateral, with a maximum spread between "bid" and "ask" of 50 basis points, reflected in yield.

(2) Participants shall post bilateral, "RFQ" based quotes for at least 5 issues from all issues in circulation, regardless of whether "on-the-run" or "off-the-run" ones, which they hold in their own portfolio.

(3) "RFQ" based quotes may also apply for transactions with an execution term of up to 2 (two) business days – T+0 or T+1.

(4) Any quote shall be at least within the minimum amount specified in Article 10, paragraph 1 by a multiple of 1.

(5) The definition of a volume of BGN 500 thousand shall apply only to the bilateral, "RFQ" based quotations of at least 5 issues of the issues in circulation, regardless of whether "on-the-run" or "off-the-run" ones. Beyond that obligation, each participant may quote non-bindingly and trade any issue with an amount specified by it.

**Art. 15.** (1) Each E-Bond participant shall have 3 minutes for receiving a request for quotes through RFQ, and to provide a quote as well.

(2) The participant shall not be obliged to reply to the request for quotes via RFQ within these 3 minutes and can let it expire automatically.

**Art. 16.** Within 15 minutes after concluding a transaction on a given GS issue, an E-Bond participant shall consider what quotes to show on the same issue and shall change them accordingly.

## **Section Three**

### **Conclusion of Transactions**

**Art. 17.** Transactions shall be concluded using the two methods of trading described – upon execution of firm quotes or by using the "RFQ". Transactions shall be considered concluded when electronic confirmations via E-Bond are generated and sent by both parties involved in the transaction.

**Art. 18.** (1) All transactions on E-Bond shall be registered in a special register of purchases and sales, supported by E-Bond, which contains the basic data related to the transactions.

(2) Data on transactions in the register under paragraph 1 shall be kept by E-Bond for a period of 7 (seven) years.

## **Chapter Five Trading Hours**

**Art. 19.** (1) Trading hours on E-Bond shall be between 09 a.m. and 04 p.m. Bulgarian time.

(2) Participants shall be obliged to post firm quotes within the time interval from 10 a.m. until 03 p.m..

(3) Participants shall post non-binding quotes using their discretion within the time intervals from 09 a.m. until 10 a.m. and from 03 p.m. until 04 p.m..

(4) In case of a common technical problem of E-Bond, MoF shall immediately notify Bloomberg's Help desk using the means of communication available in the system.

(5) In the case, referred to in the paragraph above, MoF shall send a notification to the BNB and to all participants by e-mail or using the means of communication available in the system.

(6) In case of a technical problem, occurring with any participant/participants, the latter shall be obliged to notify the MoF and the BNB immediately by e-mail at the following addresses: [E-Bond@minfin.bg](mailto:E-Bond@minfin.bg); [Petkova.A@bnbank.org](mailto:Petkova.A@bnbank.org); [Mihaleva.R@bnbank.org](mailto:Mihaleva.R@bnbank.org).

(7) In the cases, referred to in paragraphs 4, 5 and 6, participant/participants shall not be obliged to post quotes on the platform and to conclude transactions accordingly.

**Art. 20.** Conclusion of transactions shall only be effected within the trading hours of the platform, specified in Article 19, paragraph 1.

**Art. 21.** Where a non-business day is declared a business day, participants shall not be obliged to post quotes on the platform and to conclude transactions accordingly.

## **Chapter Six Cancellation of Transactions on E-Bond**

**Art. 22.** (1) Cancellation of transactions is carried out by means of an exchange of notifications via E-Bond between the two parties to the transaction before the closing of the trading session, which is valid for transactions with a value date  $T + 1$  and  $T + 2$ .

(2) For transactions concluded with a value date  $T+0$ , the transaction shall be cancelled within one hour before the closing of the trading session.

**Art. 23.** (1) The request for cancellation of a transaction shall be duly communicated by one of the parties to the transaction to the other one via E-Bond. Should the other party to the transaction duly confirm its agreement with the request for cancellation of the transaction, the

request shall be considered a bilateral request for cancelation of the transaction and it will be effected by E-Bond.

(2) Cancelled transactions shall be excluded from the data on the trading session.

(3) Cancellation of transactions on E-Bond shall be performed by both parties to the transaction in case of a notification received under Article 18 of Ordinance № 5 of 2007 or a notification under Article 38 of these rules.

## **Chapter Seven**

### **Closing of Transactions Concluded on E-Bond**

**Art. 24.** (1) Closing of transactions concluded on the E-Bond system shall be performed in the systems operated by the BNB under Article 2, paragraph 4, items 3 and 4 of Ordinance № 5 of 2007 in accordance with its provisions and the provisions of Ordinance № 31 of the BNB for the settlement of government securities.

(2) Each transaction concluded on the E-Bond system, shall be considered closed upon completion of its registration and settlement in the systems under paragraph 1.

**Art. 25.** (1) Bloomberg shall report daily to the BNB the GS transactions concluded on the E-Bond system until 04 p.m. of the current day. The report shall contain following information:

- Trade date– T;
- Settlement date – T+0, T+1 or T+2;
- Number of the GS issue (ISIN) subject of the transaction;
- Transferor of GS - code and title;
- Acquirer of GS – code and title;
- Nominal value of GS transferred (in figures, with two decimal places);
- Price, at which GS are transferred/acquired (in figures, with two decimal places);
- Yield (with a three decimal places level)
- Unique identifier defined by Bloomberg for the transaction concluded.

(2) Bloomberg shall provide to the participants in the transaction a real time information about the parameters of each transaction concluded.

(3) Information contained in the report under paragraph 1 shall be identical to that under paragraph 2.

**Art. 26.** The counterparties in the transactions shall be bound to provide the GS subject to the transactions and the cash required for their payment and to close the transactions on the respective value date, under the parameters agreed upon on the E-Bond system.

**Art. 27.** (1) Registration and settlement of transactions concluded shall be effected upon requests, sent to BNB by both parties to the transaction (transferor and acquirer) pursuant to Article 17, paragraph 2 of Ordinance № 5 of 2007 (Appendix 10).

(2) Settlement of transactions shall be performed by movement of funds in cash settlement accounts in RINGS or TARGET2 in accordance with the principle "delivery versus payment" (DVP - delivery versus payment), in which the transfer of GS and cash is performed simultaneously on a gross basis ("DVP - Model 1").

(3) Registration and settlement of transactions shall be carried out according to the ESROT system day schedule pre-specified by the MoF and the BNB in accordance with the working time of RINGS and TARGET2 payment systems.

(4) Requests for registration of transactions in a forthcoming interest payment and / or maturity of GS shall be accepted until 12 a.m. and processed until 01 p.m. of the ESROT system day preceding the settlement date of maturity of the respective GS issue or of the interest payments there on.

**Art. 28.** The BNB shall collect fees for registration and settlement of transactions in compliance with the Tariff on the Fees and Commissions Charged on Government Securities Transactions.

## **Chapter Eight**

### **Provision of Data to Participants and Competent Authorities (MoF and BNB )**

**Art. 29.** (1) E-Bond shall provide following information, updated on a daily basis:

- a complete list of identifier codes of each GS issue admitted to trading;
- a list of all participants with identifier codes.

(2) E-bond shall provide following real-time information for each issue:

- All quotes it supports with yield / price and quantity;
- Yield / price, quantity and time of the last transaction concluded;
- Current status of all quotes, supported by the participant and a detailed list of all transactions concluded by him.

**Art. 30.** (1) All the information related to market statistics on the trading screen of a given participant concerning another participant shall be in an anonymous form.

(2) The competent authorities shall have access to the full data on market statistics.

## **Chapter Nine**

### **Monitoring of Trading**

#### **Section One**

#### **Monitoring by the MoF**

**Art. 31.** MoF shall monitor the behaviour of primary dealers and participants under Article 7, paragraph 1, item 2 during the trading sessions and shall verify compliance with the rules and applicable law.

**Art. 32.** MoF shall monitor the activity of primary dealers and participants under Article 7, paragraph 1, item 2 in order to create conditions for the development of a fair, transparent and efficient market.

**Art. 33.** (1) In case of non-compliance with the established market practices, the Ministry of Finance may request clarifications from a primary dealer or participant under Article 7, paragraph 1, item 2, obliging it to provide all relevant data and information. The primary dealer or participant under Article 7, paragraph 1, item 2 shall be obliged to cooperate in case of such request and provide the necessary information in the shortest possible time.

(2) The Ministry of Finance may conduct on-site inspections with a notice, to verify compliance with these rules.

## **Section Two**

### **Monitoring by the BNB**

**Art. 34.** (1) BNB shall establish and maintain in ESROT a nomenclature with data on the participants in E-Bond with their names, identifier codes, entry date / exit date, etc.

(2) Based on the information under Article 29, paragraph 1, BNB shall introduce in the nomenclature the primary dealers - participants in E-Bond, by performing a verification of compliance with the list of primary GS dealers for the respective period, approved by the Minister of Finance.

(3) Upon a decision of the Minister of Finance and the Governor of the BNB, BNB shall introduce in the nomenclature other ESROT participants pursuant to Article 7, paragraph 1, item 2.

(4) BNB shall update the data in the nomenclature in case of changes in participants' status, entering of new participants, cancelling participation, etc.

**Art. 35.** BNB shall perform daily monitoring of trading on E-Bond - issues, quotes, prices, transactions, parties in transactions, etc.

**Art. 36.** BNB shall perform daily reconciliation of the information received pursuant to Article 25, paragraph 1 concerning parameters of transactions in the E-Bond system with the parameters of registered transactions in ESROT for the respective value date.

**Art 37.** BNB shall provide information to MoF in accordance with Appendix 1 about registered transactions in ESROT, concluded in the E-Bond system.

**Art. 38.** BNB shall immediately notify MoF and the parties to the transaction in case of non-compliance with the provision of Article 26.

## **ADDITIONAL PROVISIONS**

**§ 1.** Within the meaning of these rules:

1. „on-the-run“ issues shall be the most recently issued GS issues with a given maturity within the current calendar year;
2. „off-the-run“ issues shall be GS issued before the newest issues, that are still in circulation;
3. „Request for Quote“ (“RFQ”) shall be a functionality that allows sending a request for a quote to one or more participants as a result of which one or more quotations are provided, offering a choice among them.

## **TRANSITIONAL AND FINAL PROVISIONS**

§ 2. These rules shall be approved by the Minister of Finance and the Governor of the BNB pursuant to §10 of the final provisions of Ordinance for Amendment of Ordinance № 5 and shall enter into force on ..... ..

§ 3. The rules shall be applicable to participants under Article 7, paragraph 1, item 1 for a period of 6 (six) months after the start of trading in GS on the E-Bond system. After the expiry of this period and upon a written notification from the Minister of Finance and the Governor of the BNB they shall also apply to participants under Article 7, paragraph 1, item 2.



## Appendix 1

### REPORT

for GS transactions executed on the EBOND system by participants in ESROT at par value for the period from ... to .....

ESROT participants	Transactions between ESROT participants		
	Transactions under Art. 16, para 1, item 1, concluded on EBOND		Market share of the EBOND participant
	Par value of GS	Number of transactions	Per cent
<b>I. PRIMARY DEALERS</b>			
<b>1. PRIMARY DEALER .....</b>			
1.1. Short term GS - total			
1.1. Long term GS - total			
<b>Total GS transactions .....</b>			
<b>2. PRIMARY DEALER .....</b>			
2.1. Short term GS - total			
2.1. Long term GS - total			
<b>Total GS transactions .....</b>			
<b>TOTAL TRANSACTIONS OF PD</b>			
<b>II. OTHER ESROT PARTICIPANTS</b>			
<b>1. PARTICIPANT - .....</b>			
1.1. Short term GS - total			
1.1. Long term GS - total			
<b>Total transactions of participant.....</b>			
<b>2. PARTICIPANT- .....</b>			
2.1.Short term GS - total			
2.1. Long term GS - total			
<b>Total transactions of participant.....</b>			
<b>3. PARTICIPANT - .....</b>			
3.1.Short term GS - total			
3.1. Long term GS - total			
<b>Total transactions of participant.....</b>			
<b>TOTAL TRANSACTIONS OF OTHER ESROT PARTICIPANTS</b>			
<b>TOTAL GS TRANSACTIONS ON THE SECONDARY MARKET</b>			

**Notes:**

The nominal value of the GS shall be filled in BGN or in BGN equivalent for GS issues denominated in foreign currency.

50% of the nominal value of the GS subject to the transaction shall be accounted for each participant (code 1000) - double notification.

*I, the undersigned Rossitza Zlatareva-Dobreva hereby certify that this is an exact Bulgarian-English translation of the document attached hereto – RULES FOR TRADING, CLOSING AND MONITORING OF TRANSACTIONS IN GOVERNMENT SECURITIES ON THE BLOOMBERG E-BOND SYSTEM. The translation consists of 10 (ten) pages.*

Translator: .....





