

ORDINANCE No. 5 of 4.10.2007 on the Terms and Procedure for Acquisition, Registration, Redemption and Trade in Government Securities

Issued by the Minister of Finance and the Governor of the Bulgarian National Bank; prom.
State Gazette, issue 85 of 23.10.2007, effective since 1.11.2007

Chapter One

GENERAL PROVISIONS

Art. 1. (1) This Regulation establishes the terms and procedures for acquisition, registration, redemption and trade in book-entry government securities, hereinafter referred to as 'government securities' (GS), issued by the Minister of Finance in the domestic market. This Regulation shall not apply to trade in GS on regulated markets and Multilateral Trading Facilities.

(2) The book-entry government securities are government securities, which are not issued in a physical form but exist in the form of accounting and/or electronic entries in program systems certifying the ownership over these government securities.

Art. 2. (1) The book-entry government securities are issued upon decision of the Minister of Finance.

(2) Book-entry government securities may be:

1. 'short-term government securities' – with a redemption term of up to one year inclusive;

2. 'medium-term government securities' – with a redemption term from one to five years inclusive;

3. 'long-term government securities' – with a redemption term of more than five years.

(3) Government securities may yield income in the form of discount from the nominal value and/or interest.

(4) The Bulgarian National Bank (BNB):

1. organizes the activities in relation to the sale of government securities on behalf and for the account of the government and publishes information thereof; for this purpose it establishes and organizes a system of auctions and subscriptions for sale of government securities (AGS);

2. upon coordination with the Ministry of Finance BNB shall adopt a tariff on the fees and commissions charged on government securities transactions in the primary and secondary markets;

3. establishes and maintains the Computerized Book-entry System for Registration of and Trade in Government Securities (CBSRTGS);

4. establishes and organizes a system of government securities settlement (GSS).

(5) All government securities issued by the Minister of Finance shall be registered by BNB in the systems under para 4, items 3 and 4.

(6) The Bulgarian National Bank organizes the activities under para 4 and 5 in compliance with the Agency Agreement, concluded with the Minister of Finance.

(7) All transactions carried out under the provisions herein by payments to/from the current accounts, shall be executed in compliance with the "delivery versus payment" (DVP) mechanism.

Art. 3. (1) Participants in CBSRTGS may be:

1. primary dealers of government securities;

2. subdepositories of government securities;

3. investment firms, other than those referred to in item 1, which license covers the services and activities under Art. 5, para 2, items 1, 2 and 3 of the Financial Instruments Market Act, including such from other member-states;

4. banks, other than those referred to in items 1 and 2, which license covers the services and activities under Art. 2, para 2, items 8 and 9 of the Credit Institutions Act, including such from other member-states;

5. central depositories of government securities from member-states;

6. the Bulgarian National Bank and other members of the European System of Central Banks;

7. the Ministry of Finance;

8. the Reserve Security Fund of which the BNB keeps registers under Art. 7;

9. other persons, approved by the Minister of Finance and the BNB Governor.

(2) Primary dealers shall be persons approved by the Minister of Finance under the provisions of Regulation No. 15 of 2007 on the control over GS transactions (Regulation No. 15 of 2007).

(3) Subdepositories of government securities may be credit institutions under Art. 2, para 5 of the Credit Institutions Act, which license covers the activities under Art. 2, para 2, item 4 of the Credit Institutions Act.

(4) CBSRTGS participants are also participant in GSS.

Art. 4. (1) The CBSRTGS participants shall meet the following requirements:

1. the banks and the investment firms hold the relevant license to perform investment services and activities;

2. to hold a current account at BNB or to specify a bank current account with BNB, which they will use for the needs of cash settlement on its GS transactions based on a contract concluded with the bank;

3. to have technical communication facilities, through which they can send applications and orders for GS transactions on the secondary market, as well as to receive notifications and confirmations on behalf of BNB.

(2) The technical communication facilities, which may be used, include the following: SWIFT, WEB-based interface of CBSRTGS upon use of the universal electronic signature (UES) and telex.

(3) Other technical facilities may be used upon notification for readiness to introduce such facilities sent by the Ministry of Finance and BNB to the participants.

Art. 5. (1) Participation in CBSRTGS shall be approved by a Commission, appointed by the Head of the Fiscal Services Department with BNB and consisting of three permanent members and three substitutes.

(2) CBSRTGS applicants shall submit an application form (see Appendix 1) to the Fiscal Services Department with BNB, signed by the persons authorized to represent the relevant institution. The following documents shall be attached to this application form:

1. certificate of good standing issued no earlier than one month before the application submission date; participants under Art. 3, para 1, items 6, 7 and 8 are not required to submit such a certificate;

2. notarized signature specimens of the persons authorized to represent the respective institution;

3. a copy of the bank/investment firm license;

4. a GS account opening application Appendix 1 to Art. 9 of Regulation No. 31 of 2007 on the settlement of government securities);

5. participant's SWIFT to be used for communication with CBSRTGS and data about the UES certificates of the users authorized by the participant to establish connection through the WEB-based interface of CBSRTGS;

6. a list of persons authorized to establish contact in case of problems related with participant's GS transactions.

(3) For the needs of the cash settlement on GS transactions:

1. the bank participants shall specify the number of their current accounts with BNB;
2. the non-bank participants, willing to open a current account with BNB, shall submit to the Banking Department an application to open such an account in compliance with the rules and procedures of RINGS;

3. the non-bank participants, which do not have a current account with BNB, shall attach a bank statement as per a model form (Appendix 2), through which the bank accepts to be the participant's payment agent, and the CBSRTGS operator ex officio credits/debits its current account with BNB in relation with the GS transactions of the particular participant.

(4) Transactions between two CBSRTGS participants, one of which is a bank - payment agent of the other, as well as transactions between two CBSRTGS participants having one and the same bank – payment agent, are registered in CBSRTGS provided that there are no payments to/from their current accounts with BNB.

(5) The CBSRTGS participants under Art. 3, para 1, items 1, 3 and 4, which are not subdepositories of government securities, shall attach a statement by a subdepository bank selected by them (Appendix 3) based on a contract with the particular bank, where they will deposit government securities, which they have transferred to clients.

(6) Upon submission of the required documents and successful passing of the tests for identification of participant's technical capacity to communicate with CBSRTGS via SWIFT and/or the WEB-based interface of CBSRTGS if UES is used, a CBSRTGS participation agreement is signed between BNB and the participant.

(7) The Bulgarian National Bank reserves its right to deny access to CBSRTGS without particular specification of the reasons for such denial.

(8) The Bulgarian National Bank maintains an up-to-date list of CBSRTGS participants on its official web site.

(9) The documents under this Regulation issued in foreign language shall be accompanied by a certified Bulgarian translation.

(10) The participants shall notify BNB about any changes in the circumstances under this Article at the day of occurrence of any such change.

Art. 6. (1) Participation in CBSRTGS shall be terminated unilaterally by BNB in case:

1. a CBSRTGS participant has been deprived of its license or bankruptcy proceedings have been instituted against this participant;

2. a decision has been taken by the participant's competent body for its liquidation;

3. the participant no longer meets the requirements of Art. 4 and 5;

4. in the cases stipulated by the law, the participant has been subjected to measures restricting its investment services and activities.

(2) The participant shall notify BNB at the day of occurrence of any of the circumstances under para 1.

(3) Participation in CBSRTGS may be terminated upon request by the participant through a 1 month notice. Within the notice term the participant shall transfer the keeping of its or of its clients' government securities to another CBSRTGS participant. Preliminary concluded transactions, which value date coincides with, or comes after, the date of participation termination, are not registered by CBSRTGS.

Art. 7. The Bulgarian National Bank shall keep the register of the Reserve Security Fund established under the provisions of Art. 56, Regulation No. 3 of 2005 on cash payments and payment systems (prom. SG, issue 81 of 2005; amended issue 15 and 24 of 2006, issue 10 of 2007), under the following conditions:

1. the register of government securities shall be opened on the basis of a written application addressed to the Fiscal Services Department with BNB and signed by the persons representing a Reserve Security Fund;

2. only transactions under Art. 16, para 1, items 2 and 3 without any flow on the current accounts concluded by the Fund at the secondary market under Art. 17 shall be entered in the Register;

3. buyback of government securities at repo transactions under item 2 shall be effected upon a written notice sent by the Fund operator to the Fiscal Services Department.

Chapter Two

ACQUISITION OF GOVERNMENT SECURITIES AT THE PRIMARY MARKET

Art. 8. (1) Government securities shall be acquired at the primary market through auctions organized by the BNB through AGS.

(2) Participants in AGS may be the primary dealers in government securities selected by the Ministry of Finance under the provisions of Regulation No. 15 of 2007, which are provided with the relevant technical facilities for communication to submit auction participation applications and to receive notifications from BNB. The technical facilities for communication, which may be used, are as follows: SWIFT, the AGS WEB-based interface upon use of UES and telex. Other technical facilities may be used upon notification for readiness to introduce such facilities sent by the Ministry of Finance and BNB to the participants.

(3) The primary dealers shall be admitted for participation in AGS by a Commission designated by the Head of the Fiscal Services Department with BNB, which consists of three permanent members and three substitutes.

(4) On the grounds of the officially published list of selected primary dealers by the Ministry of Finance the Commission under para 3 organizes the testing of each primary dealer to identify its technical capacity to submit bids in accordance with the system rules and, upon successful passing of the tests, admits the respective primary dealer for participation in AGS, providing access to its authorized representatives to submit bids. Primary dealers, which have already been AGS participants, may not undergo new testing.

(5) If necessary AGS participants pass tests related with system development and improvement, for which they are notified in advance by MoF and BNB.

(6) Participation in AGS shall be terminated unilaterally by BNB in case:

1. upon decision of the Minister of Finance the particular AGS participant has been excluded from the list of primary dealers – as from the date specified in the decision;
2. participation in CBSRTGS has been terminated under the provisions of Art. 6;
3. the tests under para 5 have not been successfully passed.

(7) The Bulgarian National Bank keeps an up-to-date list of AGS participants on its official web site.

Art. 9. (1) The Bulgarian National Bank conducts GS auctions on Monday. Upon decision of the Minister of Finance, BNB may conduct auctions on other week days as well.

(2) When the day specified under para 1 is not a working day, the auction shall be conducted on the following working day.

(3) Upon decision of the Minister of Finance, BNB may organize special auctions, in which only the primary dealers specified in the decision are allowed to participate. After the receipt of the notification of the Ministry of Finance, BNB shall inform primary dealers about the terms of the special auction.

(4) Government securities at the primary market may also be acquired by other means determined by the Minister of Finance in compliance with the operative legislation.

Art. 10. (1) Only primary dealers – participants in AGS, may take part in the auctions.

(2) Primary dealers may participate in the auctions with competitive bids, using sample forms according to the respective Appendices herein.

(3) Primary dealers may participate with competitive bids on their own behalf and for their own account, as well as on their own behalf, but for the account of their clients.

(4) Upon decision of the Minister of Finance primary dealers may also participate in the auctions with non-competitive bids on their own behalf and for their own account, as well as on their own behalf, but for the account of their clients, which are not banks or investment firms, including such from other member-states.

(5) The auctions are conducted by the Commission under Art. 8, para 3.

Art. 11. (1) The primary dealers may also participate in the auctions under Art. 9 with replacement bids for the government securities they own, repurchased without any definite term under the provisions of Art. 38, para 1.

(2) The participation bids are competitive and are made under the terms of Art. 13, para 1 and 2.

(3) The aggregate nominal value of each bid shall be equal to the aggregate nominal value of the bid for buyback through replacement under Art. 38, para 1.

Art. 12. (1) BNB shall notify the AGS participants no later than three working days prior to each auction about the information received from the Ministry of Finance concerning the GS issue number; the quantity offered; the currency of the issue; the currency servicing the issue; the interest rate for the respective period if they are interest-bearing; the dates of redemption of interest and the nominal value; the change, as the case may be, in the proportion of government securities offered for competitive and non-competitive bids; the change, as the case may be, in the maximum quantity of government securities which a participant with competitive bids may acquire (including when it participates on its own behalf but for the account of its clients), as well as the terms for redemption of government securities should they be different from those under Art. 15, para 3.

(2) In case if, pursuant to Art. 10, para 4, the auction is also attended by primary dealers with non-competitive bids, the ratio between government securities offered for competitive and non-competitive bids is 80% : 20% of the total quantity offered.

(3) The maximum quantity of government securities, which can be acquired by a participant (including the case, when it takes part on its own behalf, but for the account of its clients) with competitive bids, is as follows:

1. for short-term government securities – 15 percent of the quantity earmarked for sale through competitive bids;

2. for medium-term government securities – 35 percent of the quantity earmarked for sale through competitive bids;

3. for long-term government securities – 50 percent of the quantity earmarked for sale through competitive bids.

(4) Upon submission of information under para 1, the Minister of Finance may determine other ratios different from those, specified in para 2 and 3.

Art. 13. (1) Primary dealers shall tender their bidding applications for participation in an auction within the time limits determined jointly by the Ministry of Finance and the BNB. The bids shall be sent to the BNB Fiscal Services Department. An entry check of the bids received shall be immediately carried out including a check for compliance with the format set in the Appendices herein, a check of key words identifying the respective requisites and a check of the date and time of receipt. Where an error has been found, a message shall be sent

to the primary dealer. The applications tendered may be changed by primary dealers until expiry of the deadline for their receipt. After that they shall be considered irrevocable. Only the last message received shall be deemed valid.

(2) The bidding application shall be drawn up in accordance with the sample forms in Appendices 4, 5, 6, 7, 8 and 9 and shall contain the following information:

1. bidder's current account with the BNB;
2. number of the issue of government securities the bid is made for, and in the cases under Art. 11, para 1 - also the number of the government securities issue to be repurchased by replacement under Art. 38, para 1;
3. nominal value of the bid (in figures);
4. price/yield at which the bidder is ready to acquire government securities, expressed as a percentage of 100 units nominal value with two digits after the decimal point (in figures).

(3) In case the bid is made for the account of a primary dealer's client, in addition to the requisites under para 2, it shall contain data about the client for whose account the bid is made: for natural persons – the full name and identity number; for legal persons and sole proprietors – the company name and the identification code under the BULSTAT register.

(4) In case the bid is made for the account of a foreign person the following data shall be contained in the documents specified in the Appendices herein:

- a) for a foreign citizen - the full name as per identity document, type, series and number of the identity document, as well as the country in which it is issued;
- b) for a legal person and a company incorporated abroad – registered seat; registration number and date; register in which it is entered, etc.

(5) Non-competitive bids will specify no price and yield. They shall be determined pursuant to Art. 15, para 5, item 2. The aggregate nominal value of one non-competitive bid shall be at least BGN 50 and shall be a multiple of BGN 1 (for government securities issued in another currency: at least 50 and a multiple of 1). The aggregate amount of non-competitive bids tendered by one primary dealer may not exceed the amount specified in Art. 12. Provided this term is not observed, the bids of the respective primary dealer shall not be admitted to the auction.

(6) A bidder shall be eligible to tender up to thirty competitive bids per auction, including bids on its own behalf but for the account of its clients. The aggregate nominal value of a competitive bid shall be not less than BGN 1000 and shall be a multiple of BGN 1 (for government securities issued in another currency: not less than 1000 and a multiple of 1).

(7) Bids received under para 1 shall be kept in a manner which ensures the secrecy of the bids until the auction is conducted.

Art. 14. (1) On the day of the auction the Commission under Art. 8, para 3 shall verify the submitted bids and shall not allow those, which do not comply with the requirements of this Regulation, to participate in the auction.

(2) The Commission under Art. 8, para 3 shall grade the competitive bids approved for the auction in a descending order according to the price tendered by the bidders or in an ascending order according to the yield tendered by the bidders within the maximum quantity of government securities, which one participant may acquire under Art. 12. Should there be bids of one and the same price, which is the minimum price set by the Ministry of Finance, or should there be bids of one and the same yield which is the maximum yield set by the Ministry of Finance, the bids shall be graded on a proportional principle through a coefficient formed as a ratio between the quantity remaining for distribution and the sum of these bids upon attainment of the quantity offered by the Ministry of Finance for competitive bids under Art. 12. When calculating the coefficient, the sum of competitive bids approved and those participating in the proportional principle distribution may not exceed the maximum quantity which one participant may acquire under Art. 12. Where the total amount of the competitive

bids filed by primary dealers is less than the quantity determined under Art. 12, the remainder shall be distributed among the non-competitive bids.

(3) When the total amount of non-competitive bids tendered by the primary dealers exceeds the quantity of government securities determined under Art. 12, the distribution for all bids received shall be made proportionally up until achievement of the limit specified under Art. 12. When the total amount of non-competitive bids tendered by the primary dealers is less than the quantity of government securities determined under Art. 12, the remainder shall be distributed among the competitive bids.

(4) Bids approved on a proportional principle are rounded off, so that the nominal value shall be a multiple of BGN 1 (for government securities issued in another currency: a multiple of 1). In case of remainder after rounding off, it is distributed as follows: provided the issue remains underbid, the remainder is added to the first classified bid but shall not exceed the quantity determined for one participant (if the limit is reached, the sum is added gradually to the next bids classified according to time); in cases of overbidding the issue, the remainder is deducted from the last bid classified according to time.

(5) The Minister of Finance may decide on non-admission of a particular primary dealer with competitive bids or particular competitive bids to participate in the auction, or on rejection of all or approval of particular competitive bids. Classified bids shall be approved by the Minister of Finance and sent to the BNB.

(6) Based on the classification of bids and the approval received under para 5 a report on the results of the conducted auction shall be drawn up by the Commission under Art. 8, para 3 and signed by all its members.

(7) The Commission under Art. 8, para 3 shall notify all bidders about the results of the auction within the time limits as determined jointly by the Ministry of Finance and the BNB.

(8) The unsold quantity of the issues offered for sale in the primary market at several auctions for which the Ministry of Finance has not approved the whole quantity offered at a particular auction shall be offered at the last auction announced for the relevant issue. Provided the whole offered quantity is not approved at the last auction, the announced total quantity of the issue shall be decreased by the unsold quantity. This procedure shall apply to the cases where the whole offered quantity at a particular auction is not sold due to the insufficient total amount of primary dealers' competitive and non-competitive bids.

Art. 15. (1) Primary dealers, whose bids have been approved, including when they participate in the auction with bids on their own behalf, but for the account of their clients, are obliged to provide the required funds for the payment of the government securities acquired by them in their current accounts with the BNB on the issue date in accordance with the time limits as determined jointly by the Ministry of Finance and the BNB.

(2) The requirements of para 1 shall also apply to approved bids filed under Art. 11, para 1. In this case the required funds, which primary dealers are obliged to provide in their current accounts with the BNB, shall be the positive difference between the amount they shall pay for the government securities acquired by them and the amount that the Ministry of Finance shall pay for government securities repurchased by replacement under Art. 38, para 1.

(3) The BNB shall ex officio debit the current accounts of the primary dealers, whose bids have been approved, with the amount of the government securities acquired by them against payment, whereas for those acquired by replacement, also with the amount calculated under para 2, on the second working day after the date of the auction. By a decision of the Minister of Finance, payment may be effected in other time limits preannounced within the terms of the auction under Art. 12.

(4) Should the primary dealers, whose bids have been approved, fail to provide the required funds on their current accounts on the date of the issue to pay for the government securities, the BNB shall not effect the payment, respectively register the government

securities, and the Fiscal Services Department shall notify the Ministry of Finance about this in writing. In such cases the Minister of Finance may exclude the respective primary dealer from the list of primary dealers.

(5) The government securities acquired at the auction shall be paid for as follows:

1. for competitive bids - at the price tendered in the bid; in the cases where the auction is based on yield - at the price corresponding to the yield tendered in the bid;

2. for non-competitive bids - at the average-weighted price, and, in the cases where the auction is based on yield - at the price corresponding to the average-weighted yield of the approved competitive bids.

(6) The date of effecting the settlement on the current accounts and accounts reporting government securities shall be considered to be the date of acquisition of the government securities.

(7) On the payment date the BNB Fiscal Services Department, after closing the settlement on the current accounts and on the accounts reporting government securities, shall enter in its registers the government securities acquired by each bidder and all its clients. The Bulgarian National Bank shall maintain registers of CBSRTGS participants.

(8) The following information shall be entered in the registers under para 7:

1. issue number;

2. issue date;

3. current account of the CBSRTGS participant with the BNB;

4. nominal value of the government securities held;

5. purchase price;

6. total amount of the government securities held as of a particular date.

(9) In case if government securities are purchased with a competitive or non-competitive bid, the client, for whose account the primary dealer participates in the auction, has not paid the government securities within three working days after the issue date, the primary dealer shall notify the BNB in writing thereof. The government securities shall be acquired by the primary dealer which shall be entered by BNB in the register under para 7.

(10) The Bulgarian National Bank makes ex officio payments on government securities acquired by CBSRTGS participants on the primary market through their appointed primary dealer by debiting directly the participant's current account at BNB with the total amount of the government securities acquired and enters the latter in the participant's registers kept by BNB. The provisions of para 1 and 4 also apply to CBSRTGS participants, who have acquired government securities on the primary market through a primary dealer appointed by them.

Chapter Three

ACQUISITION OF GOVERNMENT SECURITIES AT THE SECONDARY MARKET

Art. 16. (1) Transactions made in the secondary market and entered in the registers under Art. 15, para 7 shall be as follows:

1. purchase and sale of government securities;

2. transfer of government securities without a flow on the current accounts with BNB;

3. transfer of government securities based on buyback agreements with preset term, hereinafter referred to as 'repo transactions', which may be made both with or without a flow on the current accounts with BNB.

(2) Transactions under para 1 shall be entered in the registers under Art. 15, para 7 after closing the settlement on the current accounts and/or on the accounts reporting government securities.

Section I

TRANSACTIONS IN GOVERNMENT SECURITIES BETWEEN PARTICIPANTS IN CBSRTGS

Art. 17. (1) Registration of secondary market transactions shall be effected on the basis of applications in writing both from the acquirer and the transferor, addressed to the BNB Fiscal Services Department.

(2) Applications under para 1 shall be drawn up according to a sample form (Appendix 10), and shall contain the following:

1. name of transferor's company;
2. transferor's GS registry code/account;
3. transferor's current account with BNB;
4. name of acquirer's firm;
5. acquirer's GS registry code/account;
6. acquirer's current account with BNB;
7. number of the issue of government securities subject to transaction;
8. nominal value of transferred government securities (in figures), which shall be at least BGN 1 and shall be a multiple of BGN 0.01 (in the case of government securities denominated in foreign currency: at least 1 and a multiple of 0.01);
9. price, at which the government securities are transferred (acquired) (in figures);
10. value date;
11. value date and buyback price (in figures) (for repo transactions).

(3) In the cases where applications under para 1 refer to transfer of government securities without any flow on the current accounts with BNB of the transferor and acquirer, no price shall be indicated in the application price box.

(4) Applications under para 1 shall be sent to BNB and shall be processed within the system working day. The applications received are subject to an immediate entry check including verification of their format in compliance with the Appendices hereunder, of key words, identifying the respective requisites and of the date and time of receipt. In case of inconsistency the application shall be rejected by sending a relevant notification to the participant. Participants may submit new applications for the same transactions and only those, which successfully pass the entry check, shall be eligible for further processing.

Art. 18. (1) Upon successful entry check under Art. 17, para 4, BNB shall verify the application data consistency. Within the system working day the participants may invalidate their applications, which data have been found inconsistent. In case if, by the end of the system working day, the application data have not become consistent, the applications shall be rejected and the respective participants shall be notified accordingly.

(2) In case the application data are found consistent the applications shall be deemed irrevocable. The Bulgarian National Bank shall check the registers under Art. 15, para 7 as to whether the transferor owns the government securities subject to transaction and whether the said securities are blocked. The same check-up shall also be made on the value date of the buyback.

(3) Should it find that the provisions of para 2 are not fulfilled by the end of the system working day, the BNB Fiscal Services Department shall refuse to register the transaction forthwith advising the parties in writing of the reasons for the rejection.

(4) Should it find that the provisions of para 2 are fulfilled, BNB shall ex officio debit the acquirer's account and credit the transferor's account with an amount equal to the price specified in the application of the transaction, and shall record in the registers pursuant to Art. 15, para 7 the flow of government securities at the value date as stated in the applications. In

the cases under Art. 17, para 3 no settlement operations shall be effected on the acquirer's and transferor's accounts, and only the flow of government securities shall be recorded in the register.

(5) Should it find that the acquirer does not have the required funds on its current account with the BNB at the close of the system working day, the BNB shall refuse to effect the settlement, respectively to register the transaction, and the Fiscal Services Department shall advise in writing the parties concerned about the reasons for its rejection.

Art. 19. At the request of the CBSRTGS participants, BNB shall provide them with a statement from the registers under Art. 15, para 7, stating the amount and flow of the government securities held by them.

Section II

TRANSACTIONS IN GOVERNMENT SECURITIES BETWEEN PARTICIPANTS IN CBSRTGS AND THEIR CLIENTS AND BETWEEN CLIENTS OF CBSRTGS PARTICIPANTS

Art. 20. (1) The transactions under Art. 16, para 1, items 2 and 3 without any flow on the current accounts between participants and their clients and between clients of CBSRTGS participants are subject to entry in the registers of CBSRTGS participants kept by BNB under Art. 15, para 7.

(2) The participants shall notify the BNB Fiscal Services Department no later than by the end of the system working day about the value date, the issue number and the nominal value of the government securities, which they have transferred to their clients, respectively – have bought back from them prior to the GS value date at buyback (sale), if this has been a subject of a preliminary agreement (Appendices 11 and 12).

(3) Participants, who have concluded a contract with the Ministry of Finance for sale of government securities to investors (physical persons), shall notify BNB Fiscal Services Department within the terms specified in the contract about the transaction carried out with these government securities, as follows:

1. with regard to the government securities sold by them – the issue number, the nominal value, the actual sale value and the average sale value of one hundred nominal units (Appendix 13);

2. with regard to the government securities bought back by them – the buyback date, the issue number, the nominal value, the actual buyback value and the average buyback value of one hundred nominal units (Appendix 14).

(4) Upon transfer of government securities from a participant's client to another participant, the latter shall submit transaction application (Appendix 15) to BNB and to the participant, whose client the transferor is.

(5) Upon transfer of government securities from a participant to a participant's client, the transferor shall submit a transaction application (Appendix 16) to BNB and to the participant, whose client the acquirer is.

(6) In case if a participant's client is willing for government securities held by him/her to be kept by another participant, the latter shall submit a transaction application (Appendix 17) to BNB and to the participant, whose client the transferor is.

(7) In case if the a participant's client is willing to transfer the government securities held by him/her to another participant's client, the latter shall submit a transaction application (Appendix 18) to BNB and to the participant, whose client the transferor is.

(8) Upon transactions under para 4, 6 and 7 the participant keeping the government securities of the client - transferor, and upon transactions under para 5, the participant keeping the government securities of the client - acquirer, shall submit to BNB a transaction

application pursuant to the Appendices under Art. 20, para 4, 5, 6 and 7 by the end of the system working day of the value date requested.

Art. 21. (1) The notifications received under Art. 20, para 2 and 3 and the transaction applications under Art. 20, para 4, 5, 6, 7 and 8 shall be subjected to an immediate entry check including a check for compliance with the format set in the Appendices herein, a check of key words identifying the respective requisites and a check of the date and time of receipt. In case of discrepancy, the transaction notification/application shall be rejected and the respective participant shall be notified accordingly. Participants may submit new notifications/applications for the same transactions and only those, which successfully pass the entry check, shall be eligible for further processing.

(2) Upon receipt of applications under Art. 20, para 4, 5, 6, 7 and 8 BNB shall verify the application data consistency. Within the system working day the participants may invalidate their applications, which data have been found inconsistent. In case if, by the end of the system working day the application data have not become consistent, the applications shall be rejected and the respective participants shall be notified accordingly.

(3) In case the provisions of para 1 for notifications under Art. 20, para 2 and 3 are fulfilled and in case the application data under para 2 are found consistent, the applications shall be deemed irrevocable. The Bulgarian National Bank shall check the registers under Art. 15, para 7 as to whether the transferor owns the government securities subject to transaction. The same check is also conducted on the value date of the buyback/sale. In case if the transferor owns the government securities subject to transaction, BNB shall enter the relevant changes in the registers under Art. 15, para 7, indicating the nominal value of the government securities transferred and acquired by each participant or by their clients.

(4) Should it find that the transferor does not have the required quantity of government securities subject to transaction by the end of the system working day, BNB shall not register the transaction and shall immediately inform the participants concerned about the reasons for its rejection.

Art. 22. (1) CBSRTGS participants may submit applications and notifications for registration of GS transactions under the provisions of Art. 17, para 1, Art. 20, para 2, 3, 4, 5, 6, 7 and 8 prior to the value date of their execution. The applications and notifications received shall be subjected to an immediate entry check under Art. 17, para 4 and Art. 21, para 1. In case of discrepancy, the transaction notification/application shall be rejected and the respective participant shall be notified accordingly. The notifications/applications, which have successfully passed the entry check, shall be kept in store by the value date of their execution.

(2) At the requested value date the applications and notifications received under para 1 shall be passed for further processing under the provisions of Art. 18 and Art. 21, para 2, 3 and 4.

Art. 23. The CBSRTGS participants, who are not GS subdepositories, shall notify their subdepository bank with regard to government securities, which they have transferred to their clients, respectively bought back from them prior to the maturity date, under the provisions herein. These notifications shall contain all transaction parameters by clients and shall be advanced immediately as per Art. 15, para 7 upon successful entry of the transaction in the registers kept by BNB. The CBSRTGS participant, who is not a subdepository, shall be fully responsible for drawing up and timely submission of notifications, as well as for their reasonableness and accurateness.

Art. 24. (1) The subdepositories of government securities maintain GS registration systems containing data for individual GS accounts, reporting on the government securities owned by their clients and by clients of CBSRTGS participants, who are not subdepositories, on the grounds of a contract concluded with the respective participant.

(2) Unless otherwise provided by the statutory documents regulating the archives operations, the subdepositories shall keep the data in the registration systems for an unlimited period of time.

Art. 25. (1) The subdepositories of government securities shall issue certificates by name only to natural persons. Upon request the subdepositories of government securities shall issue a statement of the individual accounts kept in the registration systems under Art. 24 to legal persons, their clients and clients of CBSRTGS participants, who are not subdepositories.

(2) The certificate under para 1 shall be drawn up on a special paper, size 21/15, according to the sample in Appendix 19 and shall contain the following data:

1. inscription 'certificate';
2. certificate number;
3. the subdepository – issuer of the certificate;
4. information about the acquirer:
 - a) for Bulgarian citizens – the full name and identity number;
 - b) for nonresidents – the full name, type, series and number of the identity document, as well as the country of issue;
5. number of the issue of government securities, which are the subject of the transaction;
6. total nominal value of the government securities held (in figures and in words);
7. GS interest rate;
8. dates of interest payments;
9. GS maturity;
10. space for noting down interest paid (on the reverse side of the certificate);
11. date and place of issuance of the certificate;
12. signature and seal of the issuer.

(3) The certificate shall be issued in two copies – one top copy and one duplicate, where the top copy is given to acquirer, while the duplicate is kept by the subdepository for a period of five years as from the GS maturity date. When the acquirer is a client of a CBSRTGS participant, which is not a subdepository, the top copy of the certificate may be given to the participant, who shall pass it over to his/her client in due time. All stamps, signatures and seal affixed to the top copy of the certificate herein, shall also be affixed to the duplicate.

(4) The subdepositories of government securities shall also enter in the registration systems, kept by them under Art. 24, the data of certificate holders under para 2, as well as data about the interest paid by the Ministry of Finance, the GS repayments with a redemption schedule, as well as data from the identity document of the person, who has received the interest payments.

(5) Upon sale of government securities intended for individual investors – natural persons (targeted issues), the acquirer is given a registered certificate on a special paper, size 21/16, according to the sample of Appendix 20, which shall, in addition to the information under items 1–12 of para 2, contain the following:

1. inscription 'Ministry of Finance of the Republic of Bulgaria';
2. type of government securities;
3. date of issue;
4. buyback terms and conditions.

Art. 26. (1) The natural persons may transfer to other persons the government securities acquired by them. This transfer shall be carried out in the presence of both parties in the transaction, who shall sign a declaration for transfer of ownership right in three copies as per model form (Appendix 21).

(2) In order to be effective with regard to the subdepository, issuing the certificate, the GS transfer transactions from clients – natural persons, shall be registered in the registration systems Art. 24.

(3) Upon transfer of government securities by natural persons under para 1 the subdepository shall issue a new certificate to the GS acquirer under the provisions of Art. 25, para 1 and 2, respectively para 5, against presentation of the top copy of the certificate issued to the transferor, while upon a partial transfer of government securities the subdepository, who has issued the previous certificate, shall issue a new one to the acquirer for the remainder. The subdepository, who has issued the previous certificate, shall stamp its top copy 'invalid', affix the signature of the relevant official and the seal of the issuing subdepository and return the certificate to the transferor. The subdepositories shall enter the relevant changes in the registration systems kept by them under Art. 24.

Art. 27. (1) The subdepositories of government securities, including those, who have concluded contracts with the Ministry of Finance for sale of targeted GS issues, are entitled to receive certificates under Art. 25, para 1 and/or para 5 by the Ministry of Finance.

(2) The subdepositories of government securities, who have ceased to perform these functions, are obliged within five working days to turn over to the Ministry of Finance the unused certificates, a statement from the registration system under Art. 24 and the duplicates of the certificated issued, while the Ministry, on its turn, shall deliver these documents to a designated subdepository of government securities.

Art. 28. The subdepositories of government securities are obliged to provide to the Ministry of Finance information about the government securities owned by their clients and by clients of CBSRTGS participants, who are not subdepositories, for statistical needs in the set format and within the specified terms.

Art. 29. (1) The applications and notifications for registration of GS transactions under the provisions of this Chapter and of Art. 34 shall be accepted until 12 o'clock and processed until 13 o'clock on the system working day preceding the maturity date of the respective GS issue or the interest payments on it. For government securities, denominated in foreign currency, payments to which are made in foreign currency, the transactions under this Chapter and under Art. 34 shall be terminated two working days prior to the maturity date of the GS issue or the interest payments on it.

(2) The Minister of Finance may carry out the transactions under Art. 16.

(3) All applications and notifications for registration of GS transactions under the provisions of this Chapter and of Art. 34, which value date is a holiday or a maturity date of a GS issue, shall be rejected and the relevant participant shall be advised of the reasons for the rejection.

(4) The total nominal value of the government securities transferred under this Chapter shall be at least BGN 1 and shall be a multiple of BGN 0.01 (in the case of government securities denominated in foreign currency: at least 1, a multiple of 0.01).

Chapter four

PLEDGE OF GOVERNMENT SECURITIES

Art. 30. (1) Pledge of government securities issued by the Minister of Finance shall be made pursuant to the Law on the Special Pledges. Upon registration thereof, government securities shall be blocked.

(2) Any person keeping a register of government securities under Art. 15, para 7 and Art. 24 shall also create a register, wherein circumstances of the government securities pledged shall be entered.

(3) If upon applying for a pledge registration the person keeping the register of government securities establishes that the pledger does not own the government securities specified in the application, the intended registration shall be refused.

Art. 31. (1) Upon maturity of interest and principal payments, the pledge shall be transferred onto claims on pledged government securities. Foreclosure of the claims on the pledged government securities shall be executed pursuant to the Law on the Special Pledges.

(2) The manner of interest and principal payments on the pledged government securities shall be established by virtue of a trilateral contract concluded between the person keeping the register of government securities, the pledger and the creditor pledgee. The trilateral contract shall be signed together with the application for the pledge registration thereof.

Art. 32. Registration of application for a pledge of government securities and changes thereof shall be discontinued two working days prior to the maturity of the respective issue of government securities or interest payments thereon.

Art. 33. (1) Disposition transactions in the pledged government securities may be conducted by the pledger solely with the consent of the creditor pledgee.

(2) Consent to conduct disposition transactions in pledged government securities shall be deemed given by the creditor pledgee upon filing an application for unblocking thereof to the person keeping the register of government securities.

(3) Upon filing an application for blocking of the pledged government securities filed by the creditor pledgee to the person keeping the register of government securities, disposition with the said government securities by the pledger shall be discontinued.

(4) Blocking and unblocking of government securities shall be recorded in the government securities registers under this Regulation after closing the settlement on the accounts reporting government securities.

Art. 34. Blocking and unblocking operations may be furthermore effected beyond the cases of government securities pledge within the term provided for in Art. 29, para 1 herein.

Chapter Five

REDEMPTION OF GOVERNMENT SECURITIES AND INTEREST THEREON

Art. 35. (1) The Ministry of Finance shall provide the necessary funds for the redemption of the government securities and interest thereon in an account opened with BNB not later than one working day prior to redemption dates thereof.

(2) Payments on government securities (the nominal value, principal and/or interest, etc.) shall be effected on the dates specified in the terms and conditions of the respective issue.

(3) Where the date under para 2 is not a working day, the payment shall be effected on the next working day.

(4) At the maturity of the respective issue of government securities or interest payments thereon, BNB, on the basis of the registers under Art. 15, para 7 shall establish the amount of the government securities entered on behalf of CBSRTGS participants and shall transfer the funds necessary for the redemption of the government securities held by them and their clients within the term set jointly by the Ministry of Finance and BNB. The CBSRTGS participants, who are not subdepositories of government securities, shall immediately transfer to the subdepository selected by them the funds received for redemption of government securities held by their clients.

(5) The subdepositories of government securities shall repay the interest and the nominal value of the government securities to their clients – natural persons, and to natural

persons – clients of CBSRTGS participants, who are not subdepositories of government securities, against submission of the top copies of the certificates which they have issued. Repayment of interest shall be certified by a signature of the official who has effected the payment and by the seal of the subdepository on the space specified in the certificate, with an indication of the date of payment and the amount of interest paid. Upon repayment of the nominal value, the original of the certificate shall be stamped ‘paid up,’ signed by the official who has effected the payment, sealed by the subdepository and returned to the client.

(6) The subdepositories of government securities shall repay interest and the nominal value of the government securities to their clients – legal persons, and to legal persons – clients of CBSRTGS participants, who are not subdepositories, on the grounds of data contained in the registration systems under Art. 24 with value date at maturity (interest payment).

(7) Upon repayment of government securities installments with redemption schedule, the subdepository shall issue a new certificate for the unpaid nominal value to the acquirer; the original certificate shall be stamped ‘invalid’. Repayment of the installment shall be entered in the registration system under Art. 24.

Art. 36. (1) At the maturity of the respective issue of government securities or interest payments thereon, the BNB shall not transfer to the account of each CBSRTGS participant the funds necessary for the repayment of the government securities under Art. 35, para 4, 5 and 6, when measures have been taken against the respective CBSRTGS as per Art. 6, para 1, as well as upon justified proposition with this regard by the Minister of Finance concerning information of delay or failure to fulfil obligations under Art. 35, para 4, 5 and 6.

(2) The Ministry of Finance in coordination with BNB shall determine the subdepository, who will effect payments on government securities and interest thereon to clients participant under para 1, when the latter is not a subdepository. No later than five working days upon request by the Ministry of Finance the subdepository under para 1 must submit to the Ministry of Finance a statement from the registration system under Art. 24 and the copies of the certificates as issued, which the Ministry of its turn shall provide to the subdepository assigned.

(3) If the CBSRTGS participant under para 1 is not a subdepository, its clients’ payments on government securities and interest payments thereon shall be made by the subdepository, who the participant has a contract with. The Bulgarian National Bank shall enter in the registers under Art. 15, para 7 the transfer of the said government securities in the name of the subdepository as determined and shall transfer the funds necessary to effect payments under Art. 35, para 4.

Art. 37. (1) In case the top copy of the registered certificate is lost, the holder shall notify in writing the certificate issuer who shall issue a duplicate under Art. 25, para 1 and 2, respectively para 5, and declare null and void the originally issued certificate, which shall be noted down in the registration system under Art. 24, and the copy of the certificate shall be stamped ‘invalid’.

(2) Payment of government securities and interest thereon shall be effected on the basis of the duplicate as issued and the registration system under Art. 24.

(3) When the holder under para 1 is a client of a CBSRTGS participant, who is not a subdepository, the notification of certificate loss, respectively the new original certificate, may be delivered and/or received by the CBSRTGS participant, who shall deliver the new certificate to its client in due time.

Chapter Six

BUYBACK OF GOVERNMENT SECURITIES PRIOR TO MATURITY

Art. 38. (1) Buyback government securities with or without a definite term prior to maturity shall be effected by a decision of the Minister of Finance at the auctions held by BNB through replacing them with government securities of a new issue, and/or through redemption of the nominal value and interest thereon.

(2) The buyback auctions shall be held by the Commission under Article Art. 8, para 3.

(3) The bids for participation in the auctions shall be competitive. Only primary dealers holding government securities from the issues announced for buyback may participate in the auctions.

(4) Primary dealers may participate with competitive bids on their own behalf, but for the account of their clients, provided that the buyback does not have time limits.

Art. 39. (1) The buyback of government securities with or without fixed term prior to maturity may be effected in other manners determined by the Minister of Finance in accordance with the operative legislation.

(2) By a decision of the Minister of Finance only primary dealers specified in the decision, holding government securities from the issues announced for buyback, may participate in the buyback under para 1.

Art. 40. Within three working days prior to each buyback auction, BNB shall notify the AGS participants, based on the information received from the Ministry of Finance, of the terms under which the buyback will be effected. By a decision of the Minister of Finance, BNB may notify the AGS participants of the information received from the Ministry of Finance in other than the said time limit.

Art. 41. (1) Primary dealers shall tender their bidding applications for participation in a buyback auction in the time limits as established jointly by the Ministry of Finance and BNB. Bids shall be sent to the BNB Fiscal Services Department. An entry check of the bids received shall be carried out immediately, including a check for compliance with the format set in the Appendices, a check of key words identifying the respective requisites and a check of the date and time of receipt. Where an error has been found, a message shall be sent to the primary dealer. The applications tendered may be changed by primary dealers until expiry of the deadline for their receipt. After that they shall be considered irrevocable. Only the last message received shall be deemed valid.

(2) The bidding application shall be drawn up according to the sample forms in Appendices 22, 23, 8, 9 and 24 and shall contain the following:

1. bidder's current account with the BNB;
2. number of the issue, announced for buyback;
3. nominal value of the government securities bid for buyback (in figures);
4. price/yield/annual interest rate at which the bidder expects the government securities to be repurchased, expressed as a percentage of BGN 100 nominal value with two digits after the decimal point (in figures).

(3) Where the bid is made on the account of the primary dealer's client, in addition to requisites under para 2 it shall contain information about the client on the account of whom the bid is made:

1. for natural persons – the full name and the personal identity number (for nonresidents – information pursuant to Art. 13, para 4, item "a");
2. for legal persons – the company name, identification code under the BULSTAT register (for legal entities registered abroad – information pursuant to Art. 13, para 4, item "b").

(4) In cases of buyback of government securities by replacement, in addition to the requisites under para 2 the bid shall contain the number of issue by which the replacement is made.

(5) In cases of buyback of government securities with a definite term against payment, in addition to requisites under para 2 the bid shall contain the auction date and the term of buyback in days.

(6) A bidder shall be eligible to tender up to 30 competitive bids per a buyback auction, including bids on its own behalf, but for the account of its clients.

(7) The total nominal value of a bid shall be not less than BGN 1 and shall be a multiple of BGN 0.01 (in the case of government securities denominated in foreign currency: at least 1, a multiple of 0.01).

(8) Bids received under para 1 shall be kept in a manner, which ensures the secrecy of the bids until the buyback auction is conducted.

Art. 42. (1) On the auction day the Commission Art. 8, para 3 shall carry out a check and shall not admit to the auction the bids which do not comply with the requirements of this regulation.

(2) The Commission shall grade the primary dealers' bids approved for the buyback auction in an ascending order according to the price tendered by the bidders or in a descending order according to the tendered annual interest rate or yield.

(3) Should there be bids of one and the same price, which is the maximum price, or an annual interest rate or yield which is the minimum interest rate or yield set by the Ministry of Finance, the bids shall be graded proportionally to the quantity remaining for distribution upon attainment of the Ministry of Finance offer pursuant to Art. 40 and in compliance with the procedure provided for Art. 14, para 2 and 4. Classified bids shall be approved by the Minister of Finance and shall be sent to BNB.

(4) Should there be bids for buyback of government securities by replacement with a new issue, bids shall be classified only if the applications for acquisition of government securities of the new issues have been approved.

(5) The Minister of Finance may not admit to the buyback auction a particular bidder with competitive bids or particular competitive bids and may reject or, respectively, approve particular bids. Classified bids shall be approved by the Minister of Finance and shall be sent to BNB.

(6) Based on the classified bids and the approval of the Minister of Finance under para 5 a report on the results of the conducted auction shall be drawn up by the Commission and signed by all its members.

(7) The Commission shall notify all bidders about the results of the auction within the time limits established jointly by the Ministry of Finance and the BNB.

(8) Bidders in the buyback auction, whose bids have been approved, shall receive government securities of the new issue under the set terms.

(9) In case of a buyback by replacement, BNB shall enter in its registers the repurchased government securities, as well as the acquired government securities of the new issue by each bidder after closing the settlement on the current accounts and/or on the accounts reporting government securities.

Art. 43. (1) Settlement operations between the successful bidders in the buyback auction and the Ministry of Finance shall be effected by the Bulgarian National Bank ex officio according to the terms determined by the Ministry of Finance.

(2) In case of buyback by replacement BNB shall effect operations under para 1 by crediting/debiting the accounts of the bidders in the buyback auction and of the Ministry of Finance with the balance between the total value of government securities acquired by the bidders from the new issue and the total amount of repurchased government securities by the Ministry of Finance.

Chapter Seven

SUBSCRIPTION FOR REPLACEMENT OF GOVERNMENT SECURITIES

Art. 44. (1) The subscription for replacement of government securities hereinafter referred to as “replacement subscription” shall be organised and held by BNB through AGS upon decision of the Minister of Finance.

(2) The replacement subscription shall be carried out by the Commission under Art. 8, para 3.

(3) The primary dealers may tender bids in the replacement subscription both on their own behalf and for their own account and on their own behalf, but for the account of their clients by using the sample forms in compliance with the Appendices herein.

Art. 45. BNB shall notify the AGS participants no later than three working days prior to each replacement subscription as to the information received from the Ministry of Finance concerning the GS issue number, the replacement subscription subject; the beginning and the deadline for submission of bids for replacement subscription; the replacement subscription date; the minimum quantity for one participant, if different from the one stated in Art. 46, para 4; the amount of interest accrued on the government securities, subject to the replacement subscription; the issue terms and conditions, in the replacement refers to a new GS issue/s; the date, as to which the conversion rate of replacement shall be determined.

Art. 46. (1) The primary dealers shall tender their bids for the replacement subscription within the terms set by the Ministry of Finance. The bids shall be sent to the BNB Fiscal Services Department. An entry of the check bids received shall be carried out immediately; including a check for compliance with the format set in the Appendices herein, a check of key words identifying the respective requisites, and a check of the date and time of receipt. Where an error has been found, a message shall be sent to the primary dealer. The applications tendered may be changed by primary dealers until expiry of the deadline for their receipt. After that they shall be considered irrevocable. Only the last message received shall be deemed valid.

(2) The bidding application shall be drawn up in accordance with the sample forms in Appendices 25 and 26 and shall contain the following information:

1. bidder’s current account with the BNB;
2. number of issue subject to replacement;
3. number of issue, with which the replacement is made;
4. nominal value of the government securities, subject to replacement (in figures).

(3) In case the bid is made for the account of a primary dealer’s client, in addition to the requisites under para 2, it shall contain data about the client for whose account the bid is made: for natural persons – the full name and identity number; for legal persons and sole proprietors – the company name and the identification code under the BULSTAT register; for foreign persons – data under Art. 13, para 4.

(4) The aggregate nominal value of one bid shall be at least BGN 50 and shall be a multiple of BGN 1 (for government securities issued in another currency: at least 50 and a multiple of 1).

(5) Upon announcement of the replacement subscription terms and conditions under Art. 45 the Minister of Finance may determine a minimum quantity per participant different from the one stated in para 4.

(6) One primary dealer may tender an unlimited number of bids at the replacement subscription (including when it participates on its own behalf but for the account of its clients).

(7) Each bidder shall own the government securities, with which it participated in the replacement subscription, as of the beginning of the working day on the replacement subscription date. The government securities tendered in the replacement subscription shall

not be blocked in favour of any other person. The primary dealers take into their charge the certificate for ownership of government securities tendered for replacement of their clients – natural persons.

(8) Bids received under para 1 shall be kept in a manner, which ensures the secrecy of the bids until the replacement subscription is conducted.

Art. 47. (1) Upon expiry of the deadline for submission of replacement subscription bids the Commission under Art. 8, para 3 shall carry out check and shall not admit bids, which do not meet the requirements under this Chapter.

(2) The bids are subject to approval by the Minister of Finance or by a person designated by the Minister and are forwarded to BNB.

(3) Based on the approval of the Minister of Finance or the person designated by the Minister, a report on the replacement subscription conducted shall be drawn up by the Commission under Art. 8, para 3 signed by all its members.

(4) The Commission under Art. 8, para 3 shall notify all bidders about the results of the replacement subscription within the terms set jointly by the Ministry of Finance and BNB.

Art. 48. The Minister of Finance preserves his right to reject all replacement subscription bids submitted, respectively, to approve particular bids.

Art. 49. (1) The Bulgarian National Bank shall notify all the replacement subscription bidders about the information provided by the Ministry of Finance concerning the conversion rate of replacement. This notification shall be sent within one working day after the date of calculation of the conversion rate.

(2) The conversion rate is determined as a correlation between the currencies of the government securities, subject to replacement subscription, on the grounds of the exchange rates announced by BNB and valid for the date set by the Ministry of Finance and the replacement subscription conditions under Art. 45. The conversion rate is calculated to the fifth digit after the decimal point in compliance with principle of mathematical rounding off.

(3) The differences, which may occur at GS replacement, shall be rounded off to the higher digit, so that the nominal value of the GS acquired is a multiple of 1. The payments of accrued interest and of differences from rounding off of government securities, denominated and payable in foreign currency, shall be made in their BGN equivalence. The interest accrued is calculated to the second digit after the decimal point.

Art. 50. (1) The primary dealers, whose bids have been approved, including the cases when they participate in the replacement subscription on their own behalf, but for the account of their clients, are obliged to provide the necessary funds in their current account with BNB on the replacement day within the terms set jointly by the Ministry of Finance and BNB.

(2) On the replacement day and within the terms set jointly by the Ministry of Finance and BNB the latter ex officio debits the current accounts of the primary dealers, whose bids have been approved, including bids for the account of their clients, with the BGN equivalent of the differences under Art. 49, para 3; ex officio credits/debits the accounts of the Ministry of Finance and of the replacement subscription participants, whose bids have been approved, for execution of payments between them on the accrued interest, as from the date of issue/last interest payment to the replacement date.

(3) The Bulgarian National Bank shall enter in its registers the government securities, subject to replacement subscription after closing the settlement on the current accounts and on the accounts reporting government securities. The settlement date shall be deemed a replacement date.

Art. 51. In case if at the replacement date the primary dealers, whose bids have been approved, within the terms set jointly by the Ministry of Finance and BNB, do not hold the government securities, subject to replacement, or do not have the necessary funds in their current account, BNB shall not effect the payment, respectively, shall not register the GS

replacement and the Fiscal Services Department shall notify the Ministry of Finance accordingly. In such cases the Minister of Finance may exclude the particular primary dealer from the list of primary dealers.

Art. 52. If, upon replacement of government securities a client, for whose account the primary dealer has tendered a bid in the replacement subscription, fails to pay the government securities within three working days as from the replacement date, the primary dealer shall notify BNB in writing about this. The government securities, subject to replacement subscription, shall be acquired by the primary dealer, and this operation shall be entered by BNB in the register under Art. 15, para 7.

ADDITIONAL PROVISIONS

§ 1. Within the meaning of this Regulation:

1. ‘Member-state’ shall be a state, which is a member of the European Union, or another state within the European Economic Area.

2. ‘Delivery versus payment’ is the simultaneous transfer of the funds from the buyer to the seller, and of government securities vice versa: from the seller to the buyer.

3. ‘Blocking’ shall be a prohibition against disposition of government securities.

4. ‘Unblocking’ shall be invalidation of the prohibition against disposition of government securities.

5. ‘System working day’ shall be a preliminary set time interval within a working day, specified by the Ministry of Finance and BNB, during which applications and notifications for registration of GS transactions are accepted and processed.

TRANSITIONAL AND FINAL PROVISIONS

§ 2. This Regulation is issued in accordance with Art. 36, para 1 of the Government Debt Act and comes into force on 1 November 2007.

§ 3. This Regulation repeals Regulation No. 5 of 2002 on the Terms and Procedure for Acquisition, Redemption and Trade in Government Securities (prom. SG, issue 119 of 2002; amended and supplemented, issue 67 of 2003, issue 101 of 2004, issue 38 of 2006).

§ 4. (1) The persons, who have already had a CBSRTGS participant status at the time of entry into force of this Regulation, and are willing to preserve their status, shall submit a CBSRTGS application, accompanied by all the necessary documents as per Art. 5 within 16 November 2007. The approved participants shall sign a CBSRTGS Participation Agreement within 30 November 2007.

(2) The persons, who fail to sign the CBSRTGS Participation Agreement under Art. 5, para 6 within 30 November 2007 shall discontinue their participation in CBSRTGS as from 1 December 2007 and shall not participate in AGS.

§ 5. Up until signing the CBSRTGS Participation Agreement as per § 4, the primary dealers under § 3 of Regulation No. 15 of 2007 shall perform primary dealer and subdepository functions in compliance with this Regulation.

§ 6. (1) Within 5 working days after signing the CBSRTGS Participation Agreement the primary dealers under § 3 of Regulation No. 15 of 2007, who are not subdepositories of government securities, shall submit to the Ministry of Finance the unused certificates, a statement from the registration system under Art. 24 and the duplicates of the certificated issued, while the Ministry, on its turn, shall deliver these documents to a designated subdepository of government securities.

(2) Within 5 working days as from 30 November 2007 the primary dealers under § 3 of Regulation No. 15 of 2007, who fail to sign the CBSRTGS Participation Agreement, shall submit to the Ministry of Finance the unused certificates, a statement from the registration system under Art. 24 and the duplicates of the certificated issued, while the Ministry, on its turn, shall deliver these documents to a designated subdepository.

§ 7. The registers kept by BNB under Art. 15, para 7 and by the subdepositories of government securities under Art. 24 shall contain information about the government securities, denominated in BGN and in foreign currency, with a nominal value multiple of 0,01.

§ 8. After 5 July 1999 the use of government securities in privatization under the terms of CM Decree No. 221 of 1995 (State Gazette, issue 105 of 1995) and for repayment of the obligations to the government arising under the Law on Settlement of Nonperforming Credits Negotiated prior to 31 December 1990 and CM Decree No. 22 of 1995 (State Gazette, issue 12 of 1995) shall be accompanied by certificates issued in redenominated total nominal value.

§ 9. The certificates issued under Art. 15, para 2, item 4 of the revoked Regulation No. 5 of 1996, shall be used up until their exhaustion and shall contain data about the acquirers under , Art. 25, para 2 of this Regulation.

§ 10. The CBSRTGS participants, who are not subdepositories of government securities, may represent their clients in front of the subdepository bank in compliance with the contracts concluded with the client and the bank.

§ 11. The Minister of Finance and the BNB shall provide methodological instructions on the enactment of this Regulation.

Appendix 1
to Art. 5, para 2

To the Bulgarian National Bank, Fiscal Service Department	Name of the applicant
APPLICATION for CBSRTGS registration	
Registered seat and address:	
Type of applicant:	
	Bank:
	Subdepository bank
	Bank
	Investment firm
	Other:
	BNB
	MoF
	Reserve Security Fund
	Central Depository of Government Securities
	CB from ESCB
	Others
Shall carry out the following investment services/activities:	
	Transactions in government securities for its own account

	Transactions in government securities on behalf and for the account of its clients	
Subdepository bank: *		
Account with BNB for the needs of cash settlement: **		
	Own account:	
	Account of the payment agent bank:	
Attachments:		
1. Certificate of good standing under Art. 5, para 2, item 1 of Regulation No. 5		
2. Copy of the bank/investment firm license		
3. Signature specimens of the persons authorized to represent the participant under Art. 5, para 2, item 2 of Regulation No. 5		
4. GS accounts opening application under Regulation No. 31 of BNB		
5. Statement from the cash settlement agent (Appendix 2)		
6. Statement from the subdepository bank (Appendix 3)		
7. Data for communication purposes: participant's SWIFT; data about the UES certificates of the authorised system users; list of persons authorized to establish contact in case of problems related with GS transactions		
Submission place and date		Signatures of the persons, authorised to represent this institution

* Investment firms and banks, which license does not cover activities Art. 2, para 2, item 4 of the Credit Institutions Act, shall indicate a subdepository bank.

** Bank shall indicate the number of their own current account with BNB, while the other investment firms may choose between the two options under Art. 5, para 3 of Regulation No. 5.

Appendix 2
to Art. 5, para 3, T. 3

STATEMENT

by
(name of the bank, which account will be used for cash settlement)
We hereby give our consent for our current account with BNB, IBAN to be ex officio credited and debited by BNB in relation with the cash settlement of the GS operations carried out by (name of the CBSRTGS participant) at the primary and the secondary market, including the ex officio collection by BNB of the charges and fees payable by the participant in compliance with the BNB's Tariff on Fees and Commissions Charged on GS Transactions.

Signatures:

1.
(name and position of the bank representative)
2.
(name and position of the bank representative)

Appendix 3
to Art. 5, para 5

STATEMENT

by
(name of the subdepository bank)
We hereby declare, that we have concluded a contract with (name of the CBSRTGS participant), on the grounds of which we shall perform the functions of a subdepository of government securities, issued by the Bulgarian government at the domestic market, for the clients of the above mentioned CBSRTGS participant.

Signatures:

1.
(name and position of the bank representative)
2.
(name and position of the bank representative)

Appendix 4
to Art. 13, para 2

Competitive bid on one's own account for participation in an auction for sale against payment

Current account of the participant with the BNB 1000010001

No. of the issue for which the auction is held BG1234567890

Nominal value 1300000,

Price/yield per 100 units nominal value of the issue for which the auction is held 101,46/5,20

Nominal value 3000000,

Price/yield per 100 units nominal value of the issue for which the auction is held 98,48/7,20

Nominal value 1000000,

Price/yield per 100 units nominal value of the issue for which the auction is held 98,46/7,21

Appendix 5 to Art. 13, para 2

Competitive bid for the account of the client at auction for sale against payment

Current account of the participant with the BNB 1000010001

No. of the issue for which the auction is held BG1234567890

Nominal value 1300000,

Price/yield per 100 units nominal value of the issue for which the auction is held 101,46/5,20

Client's data Natural person
5303125633
Ivan Pavlov
Ivanov

Nominal value 3000000,

Price/yield per 100 units nominal value of the issue for which the auction is held 98,48/7,20

Client's data Judicial person
999999999

Nominal value Company "AAAAA"
3000000,

Price/yield per 100 units nominal value of the issue for which the auction is held 98,98/6,20

Client's data Bank or
investment firm
111111111

Nominal value Bank "BBBBBB"
3000000,

Price/yield per 100 units nominal value of the issue for which the auction is held 99,49/5,01

Client's data Foreign person
222222222
"CCCCCCC"
Data under
Art. 13, para 4

Appendix 6 to Art. 13, para 2

Non-competitive bid on one's own account for participation in an auction for sale against payment	
Current account of the participant with the BNB	1000010001
No. of the issue for which the auction is held	BG1234567890
Nominal value	1300000,

Appendix 7 to Art. 13, para 2

Non-competitive bid for the account of the client at auction for sale against payment	
Current account of the participant with the BNB	1000010001
No. of the issue for which the auction is held	BG1234567890
Nominal value	1300000,
Client's data	Natural person 5303125633 Ivan Pavlov Ivanov
Nominal value	5000000,
Client's data	Judicial person 999999999 Company "AAAAA"
Nominal value	5000000,
Client's data	Foreign person 2222222222 "CCCCCCCC" Data under Art. 13, para 4

Appendix 8 to Art. 13, para 2 and Art. 41, para 2

Competitive bid on one's own account for participation in a buyback auction without a definite term against payment	
Current account of the participant with the BNB	1000010001
No. of the issue for which the auction is held	BG1234567890
No. of the issue used for replacement	BG9876543210
Nominal value	1300000,
Price/yield per 100 units nominal value of the issue for which the auction is held	101,46/5,20
Nominal value	2000000,
Price/yield per 100 units nominal value of the issue for which the auction is held	98,48/7,20

Appendix 9
to Art. 13, para 2
and Art. 41, para 2

Competitive bid for the account of the client at a buyback auction without a definite term against payment

Current account of the participant with the BNB	1000010001
No. of the issue for which the auction is held	BG1234567890
No. of the issue used for replacement	BG9876543210
Nominal value	13000000,
Price/yield per 100 units nominal value of the issue for which the auction is held	101,46/5,20
Client's data	Natural person 5303125633 Ivan Pavlov Ivanov

Nominal value	20000000,
Price/yield per 100 units nominal value of the issue for which the auction is held	98,48/7,20
Client's data	Judicial person 9999999999 Company "AAAAA"

Nominal value	20000000,
Price/yield per 100 units nominal value of the issue for which the auction is held	98,99/6,20
Client's data	Bank or investment firm 1111111111 Bank "BBBBBB"

Nominal value	40000000,
Price/yield per 100 units nominal value of the issue for which the auction is held	99,48/7,20
Client's data	Foreign person 2222222222 "CCCCCCC" Data under Art. 13, para 4

Appendix 10 to Art. 17, para 2

Application for transaction	
Value date of the transaction	15/02/2005
Issue No.	BG3010096005
Transferor	Commercial Bank 'A'
Register code/GS account of the transferor	9251011100
Current account of the transferor with BNB	1000010244
Acquirer	Commercial Bank 'B'
Register code/GS account of the acquirer	9251022200
Current account of the acquirer with BNB	1000010100
Nominal value	10000000,
Price	9320210,
Value date of the repo transaction (Please, specify in case of preliminary agreement)	17/02/2005
Price	9803150,

Appendix 11 to Art. 20, para 2

Notification under Art. 20, para 2	
Value date of the transaction	15/02/2005
Issue No.	BG3010096005
Participant - transferor	Commercial Bank "A"
Register code/own GS account of the participant	9251011100
Register code/GS account of the participant's client	9252011100
Current account with BNB	1000010100
Nominal value	10000000,
Buyback value date (Please, specify in case of preliminary agreement)	17/02/2005

Appendix 12 Sunday to Art. 20, para 2

Notification under Art. 20, para 2	
Value date of the transaction	15/02/2005
Issue No.	BG3010096005
Participant - acquirer	Commercial Bank "A"
Register code/GS account of the participant's client	9252011100
Register code/own GS account of the participant	9251011100
Current account with BNB	1000010100
Nominal value	10000000,
Buyback value date (Please, specify in case of preliminary agreement)	17/02/2005

Appendix 13 to Art. 20, para 3, item 1

Notification under Art. 20, para 3, item 1 for the sale of government securities specifically intended for natural persons for the period	
Participant	Commercial Bank "A"
Register code/GS account of the participant's client	9252011100
Current account with BNB	1000010100
Issue No.	BG2210098112
Nominal value	16500,
Actual sale value	17164,95
Average buyback value of 100 nominal units	104,03

Appendix 14 to Art. 20, para 3, item 2

Notification under Art. 20, para 3, item 2 for the purchasing of government securities specifically intended for natural persons for the period	
Purchase date	29.10.1998
Participant	Commercial Bank "A"
Register code/GS account of the participant's client	9252011100
Current account with BNB	1000010100
Issue No.	BG2210098112
Nominal value	7300,
Actual purchase value	7464,25
Average buyback value of 100 nominal units	102,25

Appendix 15 Monday
to Art. 20, para 4

Application for government securities transfer under Art. 20, para 4	
Value date of the transaction	15/02/2005
Issue No.	BG3010096005
Participant, keeping government securities of the client - transferor	Commercial bank "A"
Register code/GS account of the participant's client	9252011100
Current account with BNB	1000010244
Nominal value	10000000,
Participant - acquirer	Commercial bank "B"
Register code/own GS account of the acquirer	9251022200
Current account of the acquirer with BNB	1000010100

Appendix 16
to Art. 20, para 5

Application for government securities transfer under Art. 20, para 5	
Value date of the transaction	15/02/2005
Issue No.	BG3010096005
Participant - transferor	Commercial bank "A"
Register code/own GS account of the participant	9251011100
Current account with BNB	1000010244
Nominal value	10000000,
Participant, keeping government securities of the client - acquirer	Commercial bank "B"
Register code/GS account of the participant's client	9252022200
Participant's current account with BNB	1000010100

Appendix 17 to Art. 20, para 6

Application for government securities transfer under Art. 20, para 6	
Value date of the transaction	15/02/2005
Issue No.	BG3010096005
Participant, keeping government securities of the client	Commercial bank "A"
Register code/ GS account of the participant's client	9252011100
Current account with BNB	1000010244
Nominal value	10000000,
Participant, to whom client's government securities are transferred	Commercial bank "B"
Register code/ GS account of the participant's client	9252022200
Current account with BNB	1000010100

Appendix 18 to Art. 20, para 7

Application for government securities transfer under Art. 20, para 7	
Value date of the transaction	15/02/2005
Issue No.	BG3010096005
Participant, keeping government securities of the client - transferor	Commercial bank "A"
Register code/ GS account of the participant's client	9252011100
Current account with BNB	1000010244
Nominal value	10000000,
Participant, keeping government securities of the client - acquirer	Commercial bank "B"
Register code/ GS account of the participant's client	9252022200
Current account with BNB	1000010100

Appendix 19
to Art. 25, para 2

C E R T I F I C A T E No.
for ownership of government securities

.....	
(data about the acquirer of government securities)	
government securities, issue No.	with maturity
(issue No. and date)	(date)
with nominal value BGN	
(in figures)	(in words)
at interest rate	
(interest rate on government securities, fixed, floating)	
Date of interest payment	
.....	
(date and place of issue)	(signature and seal of the issuer)

Reverse side of the certificate

Space for noting down interest paid

Appendix 20
to Art. 25, para 5

MINISTRY OF FINANCE
OF THE REPUBLIC OF BULGARIA

C E R T I F I C A T E No.
for ownership of government securities

.....		
(government securities type)		
.....		
(data about the acquirer)		
.....		
(issue No.)	(issue date)	(maturity date)
.....		
(nominal value of government securities in figures, in words, currency)		
.....		
(interest rate on government securities)		
.....		
(dates of interest payments)		
.....		
(buyback terms)		
.....		
(certificate issuer)		
.....		
(date and place of issue)	(signature and seal of the issuer)	

Reverse side of the certificate

Space for noting down interest paid

Appendix 21

to Art. 26, para 1

DECLARATION ON TRANSFER OF GOVERNMENT SECURITIES OWNERSHIP

I, the undersigned,
 (full name)
 holding identity card series No.....,
 issued on by, Personal ID No. (identity
 card No.)
 hereby declare that I have transferred to

 (full name)
 * hereby declare that I have transferred to.....

 (company name and identification code under BULSTAT)
 * represented by
 (full name)
 holding identity card seriesNo.....,
 issued on by, Personal ID No. identity
 card No.), on behalf and for the
 account of*
 ownership over government securities of issue
 No/.....

(issue date)

at the amount of

(in figures and in words)

Total nominal value certificate No.....

..... Transferor:

(date) (signature)

Acquirer:
(signature)

*To be filled in for judicial persons only.

Appendix 22 to Art. 41, para 2

Competitive bid on one's own account for participation in a buyback auction without a definite term against payment	
Current account of the participant with the BNB	1000010001
No. of the issue for which the auction is held	BG1234567890
Nominal value	13000000,
Price/yield per 100 units nominal value of the issue for which the auction is held	101,46/5,20
Nominal value	20000000,
Price/yield per 100 units nominal value of the issue for which the auction is held	98,48/7,20

Appendix 23 to Art. 41, para 2

Competitive bid for the account of the client at a buyback auction without a definite term against payment	
Current account of the participant with the BNB	1000010001
No. of the issue for which the auction is held	BG1234567890
Nominal value	13000000,
Price/yield per 100 units nominal value of the issue for which the auction is held	101,46/5,20
Client's data	Natural person 5303125633 Ivan Pavlov Ivanov
Nominal value	20000000,
Price/yield per 100 units nominal value of the issue for which the auction is held	98,48/7,20
Client's data	Legal person 999999999 Company "AAAAA"
Nominal value	20000000,
Price/yield per 100 units nominal value of the issue for which the auction is held	98,99/6,20
Client's data	Bank or investment firm 111111111 Bank "BBBBBB"
Nominal value	40000000,
Price/yield per 100 units nominal value of the issue for which the auction is held	99,48/7,20
Client's data	Foreign person 222222222 "CCCCCCC" Data under Art. 13, para 4

Appendix 24

to Art. 41, para 2

Competitive bid on one's own account for participation in a buyback auction with a definite term against payment (repo auction)	
Current account of the participant with the BNB	1000010001
No. of the issue	BG1234567890
Auction date	20040109
Buyback term in days	1
Nominal value	1300000,
Annual interest rate	5,20
Nominal value	2000000,
Annual interest rate	5,25

Appendix 25

to Art. 46, para 2

Bid on one's own account for participation in a replacement subscription	
Current account of the participant with the BNB	1000010001
No. of issue subject to replacement	BG1234567890
No. of issue, with which the replacement is made	BG9876543210
Nominal value	1300000,

Appendix 26

to Art. 46, para 2

Bid for the account of the client at a replacement subscription	
Current account of the participant with the BNB	1000010001
No. of issue subject to replacement	BG1234567890
No. of issue, with which the replacement is made	BG9876543210
Nominal value	13000000,
Client's data	Natural person 5303125633 Ivan Pavlov Ivanov
Nominal value	30000000,
Client's data	Legal person 999999999 Company "AAAAA"
Nominal value	30000000,
Client's data	Bank or investment firm 111111111 Bank "BBBBBB"
Nominal value	30000000,
Client's data	Foreign person 222222222 "CCCCCCC" Data under Art. 13, para 4