

**ORDINANCE No. 31 of 4.10.2007**  
**on the Settlement of Government Securities**

Issued by the Governor of the Bulgarian National Bank, prom., SG, issue 85 of  
23.10.2007, effective since 1.11.2007

**Chapter one**

**GENERAL PROVISIONS**

**Art. 1.** This Regulation arranges the settlement of book-entry government securities, issued by the Minister of Finance at the domestic market, hereinafter referred to as “government securities” (GS) in the Bulgarian National Bank (BNB), and the keeping of individual accounts by the GS subdepositories under the provisions of Regulation No. 5 of 2007 on the Terms and Procedure for Acquisition, Registration, Redemption and Trade in Government Securities (Regulation No. 5 of 2007).

**Art. 2.** The settlement on GS transactions in BNB is a transfer of GS with or without cash transfer on the grounds of a transaction request, submitted through the Computerised Book-entry System for Registration of and Trade in Government Securities (CBSRTGS).

**Art. 3.** (1) The Bulgarian National Bank shall set up and organise the System of GS Settlement (GSS), which includes the minimum of three members, who may be primary dealers, GS subdepositories and other persons participating in CBSRTGS, designated under Art. 3 of Regulation No. 5 of 2007.

(2) The cash transfer on GS transactions shall be carried out through the Real-Time INterbank Gross-Settlement System (RINGS).

**Art. 4.** (1) The Bulgarian National Bank shall be a GS settlement agent.

(2) The Bulgarian National Bank shall set up and organise the systems under Art. 2 and 3 with general rules, ensuring fulfillment of obligations related with participation in the systems based on agreement.

(3) An application/notification for GS transaction registration filed with CBSRTGS in compliance with its rules may not be cancelled after the moment specified in the settlement system rules. Actions, undertaken by a system participant or by any third person after this moment, which are indented to withdraw or cancel this application/notification for GS transaction registration, shall be deemed invalid.

**Art. 5.** In its capacity of a settlement agent BNB shall carry out ex officio settlement of GS transactions at the primary and the secondary market on the participants’ current accounts kept by the Bank and the GS accounts registered in the CSS system.

**Art. 6.** (1) The settlement of GS transactions may be, as follows:

1. cash flow in compliance with the DVP (delivery versus payment) principle, where the transfer of GS and cash funds is carried out simultaneously on a gross base (DVP – Model 1);

2. without cash flow (DFP - delivery free of payment).

(2) The settlement on GS transactions shall be carried out under a preliminary set schedule by MoF and BNB on the CBSRTGS system day in accordance with the RINGS operational hours.

(3) The settlement on GS transactions, except for those under Art. 20, para 2 and 3 of Regulation No. 5 of 2007, shall be carried out in compliance with the bilateral notification principle – one transaction request by each of the parties.

(4) The implemented transactions shall be confirmed as soon as possible upon their conclusion.

## Chapter two

### GS ACCOUNT OPENING, KEEPING AND CLOSURE

**Art. 7.** The Bulgarian National Bank shall open an account of the issuer to register all GS of one issue at the initial issuance, the GS buyback prior to maturity and their maturitization.

**Art. 8.** (1) The Bulgarian National Bank shall open and keep accounts in CSS, as follows:

1. account for 'GS held by CSS participants';
2. account for 'total number of GS held by clients of CSS participants';
3. account for 'GS held by CSS participants with imposed encumbrances'.

(2) By decision of BNB other GS accounts of the CSS system participants may also be opened.

(3) Blocking of GS on the account under para 1, item 3 shall be done:

- a) upon establishment of a pledge under the Special Pledges Act;
- b) upon securing the funds on accounts and deposits of budget entities held with banks;
- c) in other cases.

**Art. 9.** The Bulgarian National Bank shall ex officio open the accounts under Art. 8 for each issue of GS acquired at the primary and/or the secondary market on the grounds of a written application submitted as per Appendix 1.

**Art. 10.** (1) The GS accounts shall reflect the settlement of GS transactions on the primary and the secondary market at the nominal value of the GS, subject to transaction.

(2) Information about the GS account balance shall be provided to the account holder on a daily basis upon flow on the accounts and on a monthly basis upon request.

**Art. 11.** (1) The GS subdepositories shall open and keep individual GS accounts indicating the GS held by their clients and clients of CBSRTGS participants, who are not subdepositories. Opening and keeping accounts of clients of CBSRTGS participants, who are not subdepositories, shall be carried out on the grounds of notifications from the CBSRTGS participant to the subdepository in compliance with a contract concluded between them. The CBSRTGS participant, who is not a subdepository, shall be fully responsible for drawing up and delivery of the respective notifications and for their reasonableness.

(2) The subdepositories shall separate their own GS from those of their clients and shall not be accountable to their creditors with clients' GS, for which they keep accounts under para 1.

**Art. 12.** (1) GS accounts under Art. 8, kept on behalf of the settlement participants, shall be closed upon receipt of a written application from the account holder (Appendix 2). The accounts shall be closed within two days as from receipt of the application, for which the account holder shall be duly notified.

(2) The accounts, opened for a GS issue under the provisions of Art. 8 are subject to ex officio closure by BNB upon maturity of the respective GS issue.

## Chapter three

### GS SETTLEMENT AT INITIAL ACQUISITION, REDEMPTION OF GS AND THE INTEREST THEREON AND BYUBACK OR REPLACEMENT

**Art. 13.** Upon acquisition of GS at the primary market under the procedure of Chapter two, Regulation No. 5 of 2007, BNB shall carry out settlement by debiting the current accounts, specified by CBSRTGS participants, with the total amount of GS acquired by them and by their clients; shall credit the issuer's account and, at the same time, shall enter the GS acquired by the participants at their nominal value into their GS accounts and to the GS accounts indicating the total amount of GS acquired by their clients.

**Art. 14.** Upon redemption of maturing GS and/or of their accrued interest under the provisions of Art. 35, Regulation No. 5 of 2007, BNB shall debit the issuer's account, shall credit the current accounts specified by the participants with the due amount for redemption of the GS held by them or by their clients and shall strike off the nominal value of the maturing GS from the GS accounts of the participants and those of their clients.

**Art. 15.** (1) Upon buyback of GS prior to maturity through redemption under the procedure of Chapter six, Regulation No. 5 of 2007, BNB shall carry out settlement pursuant Art. 14.  
(2) Upon buyback of GS prior to maturity through GS replacement/replacement subscriptions under the procedure of Chapter six and seven of Regulation No. 5 of 2007, BNB shall carry out settlement by striking off the GS of the respective issue from the GS accounts of the participants and shall enter into their accounts the GS of the new issue at their nominal value.

## **Chapter four**

### **SETTLEMENT OF GOVERNMENT SECURITIES AT THE SECONDARY MARKET**

**Art. 16.** The Bulgarian National Bank shall carry out settlement of the secondary market GS transactions specified in Art. 16, Regulation No. 5 of 2007.

**Art. 17.** The settlement on the participants' accounts at GS transactions concluded under the provisions of Chapter three, Regulation No. 5 of 2007, shall be carried out as follows:

1. upon cash flow transactions the acquirer's current account shall be debited and the transferor's current account shall be credited with the amount indicated in the transaction application and, at the same time, the transferor's GS account shall be debited and the acquirer's GS account shall be credited with the nominal value of the GS, subject to transaction;

2. upon non-cash flow transactions the transferor's GS account shall be debited and the acquirer's GS account shall be credited with the nominal value of the GS, subject to transaction.

**Art. 18.** Upon GS transactions, concluded under the provisions of Chapter three, Section II of Regulation No. 5 of 2007, the settlement on the accounts of participants and their clients shall be carried out by debiting the transferor's GS account and crediting the acquirer's GS account with the nominal value of the GS, subject to transaction.

**Art. 19.** The Bulgarian National Bank shall carry out settlement of GS at transactions under Chapter four of Regulation No. 5 of 2007, by debiting/crediting the GS accounts held by the CBSRTGS participants and crediting/debiting their GS accounts with the imposed encumbrances at the nominal value.

## **Chapter five**

### **PARTICIPANT'S EXCLUSION FROM GS SETTLEMENT**

**Art. 20.** Applications/notifications shall not be processed and settlement of GS transactions shall not be effected in case if participation in CBSRTGS has been terminated in compliance with the provisions of Art. 6, para 1 of Regulation No. 5 of 2007.

**Art. 21.** The settlement on accounts indicating the total number of GS held by the clients of a participant – subject to measures under Art. 20, shall be carried out in compliance with Art. 36, para 2 of Regulation No. 5 of 2007.

**Art. 22.** Suspension of the CSS participant's license, as well as institution of bankruptcy proceedings against another participant in the system shall not affect the system's obligation to process and carry out the settlement of the transfer registration orders submitted by this

participant, as well as the validity and the confrontability of such orders with regard to any third persons, if the said orders have been accepted by the system in compliance with its rules.

## **Chapter six**

### **CORRECTION OF ERRORS**

**Art. 23.** (1) Upon establishment of incorrect entries in CBSRTGS, BNB shall carry out immediate verification pursuant to Regulation No. 5 of 2007.

(2) In case if the verification establishes that the incorrect entry in CBSRTGS is made by BNB, the latter shall carry out ex officio correction operations with current value date and shall notify the participant/s accordingly.

(3) In case if the verification establishes that the incorrect entry in CBSRTGS is a result of an executed application/notification of CBSRTGS participants, submitted under the provisions of Regulation No. 5 of 2007, BNB shall carry out ex officio correction operations with current value date on the grounds of an application/notification received from the participants pursuant to Chapters three and four of Regulation No. 5 of 2007.

**Art. 24.** The Bulgarian National Bank shall not be accountable for any damages related with the registration and settlement of GS transactions, resulting from insufficient, false or incorrect information provided by CBSRTGS participants.

### **ADDITIONAL PROVISION**

**§ 1.** Under the meaning of this Regulation:

1. 'GS account' is an account in CSS, on which the electronic transfer of government securities of one issue is carried out through accounting entries.

2. 'Current account' is an account, which is used by a participant for execution of cash settlement on GS transactions.

3. 'Transaction application/notification' is an order by a participant in the GS settlement, submitted electronically to BNB, for transfer of GS to a particular account in CSS with or without cash flow on the current accounts.

4. 'Transferor' is the person, transferring GS from his/her GS accounts.

5. 'Acquirer' is the person, acquiring GS on his/her GS accounts.

6. 'Transaction confirmation' is the accounting document sent to the participants upon accomplishment of transaction settlement.

### **TRANSITIONAL AND FINAL PROVISIONS**

**§ 2.** This Regulation is issued in accordance with Art. 36, para 3 of the Government Debt Act; adopted by Decision No. 113 of 4.10.2007 of the Managing Board of BNB and enters into force on 1 November 2007.

**§ 3.** This Regulation repeals Regulation No. 31 on the Settlement of Government Securities (SG, issue 70 of 2003).

**Appendix 1**

to Art. 9

To Bulgarian National Bank  
Fiscal Services Department

Participant's  
name

**APPLICATION**

for opening of GS accounts

Please, open an account in favour of – (participant's  
name)

Registered seat, address

Address for  
correspondence

GS accounts under Art. 8 of Regulation No. 31 of 2007

Registered  
in CSS

The accounts shall be at the disposal of – (full name and position of the persons, who represent the participant and are entitled to dispose of the accounts, as well as any third persons authorised by them to sign documents for execution of GS transactions):

We are aware and accept the mandatory power of the provisions of Regulation No. 31 of 2007, Regulation No. 5 of 2007 and Regulation No. 15 of 2007, as well as the other applicable legal standards concerning the GS market. We herein declare, that we are aware of the conditions under which the BNB opens, keeps and closes ex officio the GS accounts.

We undertake to duly notify you and provide you with the necessary documents upon occurrence of any change to the list of persons, authorised to dispose of the accounts herein.

We are aware that the signatory persons herein are liable before the law for any false information provided.

Place and date of submission

Signatures of the persons,  
authorised to represent the  
participant

## **Appendix 2**

to Art. 12, para 1

To BNB – Fiscal Services Department

Address

Name of the GS accounts holder

Address

### **APPLICATION FOR CLOSURE OF GS ACCOUNT**

Please, close the GS accounts under Art. 8 of  
the BNB's Regulation on the Settlement of GS

opened on our behalf in CSS.

Place of submission

Signatures of the persons,  
authorised to represent the  
participant

Date