

INSTRUCTIONS ON TAKING INTO ACCOUNT OF CRITERIA FOR EVALUATION OF GOVERNMENT SECURITIES PRIMARY DEALERS

Criterion 1:

Primary dealers shall regularly participate in the government securities (GS) primary market. For the evaluation period primary dealers applicants shall acquire GS (in face value) not less than 3 (three) percent of total government securities issued¹ for that period.

Scope of the indicator: The share of GS acquired in the primary market by the primary dealer applicant for the valuation period shall be determined as the ratio between the total face value of GS approved for the applicant at the auctions held and the total face value of GS issued for the respective period.

Calculation of the indicator: The Ministry of Finance will determine the fulfilment of criterion 1 for all primary dealers applicants during the valuation period on basis of information from the GSAS² system regarding the amounts of GS approved for each applicant at the auctions held.

Criterion 2:

Primary dealers shall support the development of liquid and transparent secondary GS market. Primary dealers applicants shall have for the evaluation period a market share (the proportion between transactions executed by each primary dealer applicant and total face value of all transactions executed on the government securities secondary market ³) of not less than 3 (three) percent.

Scope of the indicator: Primary dealer / primary dealer applicant's market share for the valuation period shall be determined as the ratio between total volume of transactions in GS concluded by the person and total volume of all transactions in GS concluded on the secondary market for the period. The face value of GS subject to the transaction shall be reported.

Scope of Transactions: This indicator shall cover all transactions in GS, concluded on the secondary market, issued pursuant to Ordinance No 5 of 4.10.2007 on the Terms and Conditions for Acquisition, Registration, Payment and Trading in Government Securities (Official gazette, No. 85 of 23.10.2007, in force as of 1.11.2007, amended and supplemented, issue 100 of 19.11.2013), hereinafter referred to as "Ordinance No. 5 of 2007" and for structural reform.

¹ For the calculation of the indicator primary dealers applicants, that have already been primary dealers during that period shall calculate government securities acquired for their own and for the account of their client. Primary dealers applicants that have not been primary dealers during the calculation period shall calculate government securities they acquired in the primary market through primary dealers.

² System for Carrying out GS Auctions and Sale Subscriptions under Article 2, paragraph 4, item 1 of Ordinance No. 5 of 2007

³ All transactions with government securities executed on the secondary market (for own and beneficiary account) shall be reported.

All types of transactions in GS pursuant to Article 16, paragraph 1, item 1-3 of Ordinance No. 5 of 2007 shall be taken into account which are concluded on the market between ESROT⁴, participants, between ESROT participants and clients and between clients of different participants in ESROT (see Appendix "Transactions Included in the calculation of secondary GS market volume for the purposes of performance under item 2 of the Criteria").

All operations for GS blocking / unblocking related to securing funds on accounts of budget enterprises in banks, registrations under the Special Pledges Act and other blockings / unblockings, as well as operations for GS transfer to registers that do not have the status of transactions under Article 16, paragraph 1, item 1-3 of Ordinance No. 5 of 2007 shall not be taken into account as transactions for the purposes of calculating the indicator.

Calculating the Indicator: Following principle shall be followed to determine the total volume of transactions in GS concluded by a person (numerator definition):

- For each participant shall be taken into account 50% of the face value of the GS subject to the transactions included in the scope for calculating the indicator for which double notification is required (see Annex).

- 100% shall be taken into account of the face value of the GS subject to the transactions included in the scope for calculating the indicator for which a unilateral notification is required (see Annex).

100% of the face value of all transactions shall be taken into account when reporting the total volume of all transactions in GS concluded on the secondary market (denominator definition),

The face value of transactions in GS denominated in foreign currencies shall be recalculated in BGN at the official exchange rate of the BNB valid on the day of their conclusion.

Disclosure of information: The Ministry of Finance will publish monthly information on the total volume of all transaction in GS concluded on the secondary market calculated in accordance with the above methodology on its Internet site, Government Debt Section, GS Market heading until the 3rd working day following the end of the reporting period based on ESROT system information.

The Ministry of Finance will determine the fulfilment of criterion 2 for persons that have been primary dealers or ESROT system participants during the assessment period on basis of the available information on transactions in GS of the ESROT system participants.

Primary dealers applicants that have not been primary dealers or ESROT system participants during the valuation period shall provide information on the fulfilment of criterion 2 as part of the necessary application documents for a primary dealer attached to the application under Article 7 of Ordinance No. 15 of 2007. The information on the volume of transactions in GS concluded by the applicant for the period in which he has not been an ESROT participant shall be prepared or certified by the respective GS subdepository in accordance with these instructions.

Criterion 3:

Primary dealers shall offer to their clients accessible government securities services on the primary and secondary market.

⁴ Electronic System for Registration and Servicing Trade in GS under Article 2, para. 4, item 3 of Ordinance No. 5 of 2007

Fulfilment of criterion 3 will be assessed by monitoring how services provision does not place restrictive conditions to the primary dealer's customers and does not reduce transparency and liquidity of the GS market.

Criterion 4:

Primary dealers shall provide the Ministry of Finance with information, concerning their activities on the government securities market.

Criterion 5:

Primary dealers shall: participate in consultations with the Ministry of Finance concerning government securities market development; provide analyses regarding current market conditions where requested; recommend amendments to the legislation.

The fulfilment of Criterion 4 and Criterion 5 will be assessed in accordance with the participation of primary dealers' applicants in the issuer's initiatives in the primary and secondary GS market.

These guidelines are issued pursuant to § 5 of the Transitional and Final Provisions in conjunction with Article 6, paragraph 1 and paragraph 3 of Ordinance No. 15 of 2007 on the Control of Transactions in Government Securities and shall enter into force on 1 January 2014

MINISTER OF FINANCE:

PETAR CHOBANOV

APPENDIX

Transactions Included in the calculation of secondary GS market volume for the purposes of performance under item 2 of the Criteria

Code	Transaction Type	With bilateral notification ^a
1000	Transaction for purchase and sale of GS between ESROT participants	Yes
1200	Repo transaction in GS between ESROT participants with cash funds movement on settlement accounts	Yes
1500	Lending transaction in GS between ESROT participants without cash funds movement on settlement accounts	Yes
2000	Transactions for transfer of GS from an ESROT participant to his client	No
2100	Transaction for purchase of GS by an ESROT participant from his client	No
2200	Transactions for transfer of GS from an ESROT participant to his client with a subsequent repurchase	No
2250	GS lending transaction between a participant-lender and his client-borrower without cash funds movement on settlement accounts	No
2300	Transaction for purchase of GS by an ESROT participant from his client with a subsequent reverse repurchase	No
2350	Lending transaction in GS between participant-borrower and his client-lender without cash funds movement on settlement accounts	No
2500	Transactions for transfer of GS from an ESROT participant 's client to another ESROT participant	Yes
2700	Transactions for transfer of GS from an ESROT participant 's client to another ESROT participant's client	Yes
2800	Transactions for transfer of GS from a participant to another participant's client	Yes
1210	Repo transaction in GS between ESROT participants with cash funds movement on settlement accounts – part two	Yes
1510	Lending transaction in GS between ESROT participants without cash funds movement on settlement accounts – part two	Yes
2210	Transactions for transfer of GS from an ESROT participant to his client with a subsequent repurchase- part two	No
2260	GS lending transaction between a participant-lender and his client-	No

	borrower without cash funds movement on settlement accounts – part two	
2310	Transaction for purchase of GS by an ESROT participant from his client with a subsequent reverse repurchase – part two	No
2360	Lending transaction in GS between participant-borrower and his client- lender without cash funds movement on settlement accounts – part two	No