

INSTRUCTIONS ON THE REPORTING OF THE CRITERIA FOR SELECTION OF PRIMARY DEALERS OF GOVERNMENT SECURITIES

Criterion No. 1:

Regular participation in the primary GS market. For the assessment period, primary dealer applicants should have acquired GS (at face value) on the primary market of not less than 3% of the total amount of GS issued¹ for the respective period.

Scope of the indicator: The share of GS acquired on the primary market by the primary dealer applicant during the assessment period shall be determined as a ratio of the total face value of the amount of GS approved for the applicant at the auctions held and the total face value of the amount 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 dealer applicants during the assessment period on the basis of information from the GSAS² ³regarding the amount of government securities approved at the auctions held for each applicant.

Criterion No. 2:

Primary dealers contribute to the development of a liquid and transparent secondary market for government securities. For the assessment period, the primary dealer or the primary dealer applicant should have a market share (the face value of GS under the transactions concluded by the primary dealer or the primary dealer applicant on the secondary GS market[^], over the assessment period, to the total face value of all transactions in GS concluded on the marked during that period) of not less than 3%.

Scope of the indicator: The market share of the primary dealer or the candidate primary dealer during the assessment period shall be determined as the ratio of the total volume of transactions with government securities executed by the person and the total volume of all transactions with government securities executed on the secondary market during the period. The face value of the GS subject to the transaction shall be reported.

¹ When calculating the indicator for persons that have been primary dealers during the assessment period GS acquired for their own account and for the account of others shall be included while for persons that have not been primary dealers GS they have acquired on the primary market through primary dealers shall be included.

² System for Carrying out GS Auctions and Sale Subscriptions pursuant to Art.2, para. 4, item 1 of Ordinance No. 5 of 2007.

³ All transactions in GS concluded on the secondary market shall be reported, both for own account and or the account of the primary dealer's clients.

Scope of the transactions: The indicator covers all transactions in GS concluded on the secondary market, that are issued pursuant to Ordinance No. 5 of 2007 on the Terms and Conditions for Acquisition, Registration, Payment and Trading in Government Securities (promulgated, State Gazette, issue 85 of 23/10/2007, amended and supplemented, issue 100 of 19/11/2013, issue 56 of 24/07/2015, issue 29 of 07/04/2017), hereinafter referred to as “Ordinance No. 5 of 2007”.

All types of transactions in GS pursuant to Art. 16, para. 1, item 1-3 of Ordinance No. 5 of 2007 shall be taken into account, which have been concluded on the market between ESROT participants⁴, between ESROT participants and clients and between clients of different participants in ESROT (see Annex “Transactions Included in the calculation of secondary GS market volume for the purposes of meeting the requirements under item 2 of the Criteria”).

For the purposes of calculating the indicator, all operations of GS blocking/unblocking of government securities related to securing funds on bank accounts of budgetary enterprises, entries in accordance with the Law on Special Pledges and in other cases of blocking/unblocking, as well as operations of GS transfers to registers that do not have the status of transactions under Art. 16, para. 1, items 1-3 of Ordinance No. 5 of 2007 shall not be reported as transactions.

Calculation of the indicator: In order to determine the total volume of the transactions in GS concluded by a person (numerator determination), the following principle shall be followed:

50% of the face value of GS subject to the transactions included in the scope of calculation of the indicator for which bilateral notification is required shall be reported for each participant (see Annex).

100% of the face value of GS subject to the transactions included in the scope of calculation of the indicator for which unilateral notification is required shall be reported (see Annex).

100% of the face value of all transactions taking into account the total volume of all transactions in GS on the secondary market (denominator determination) shall be reported.

The face value of transactions in GS denominated in foreign currency shall be recalculated in BGN at the official exchange rate of the Bulgarian National Bank, valid on the day of their conclusion.

Disclosure of information: The Ministry of Finance shall publish monthly information on the total volume of all transactions in GS concluded on the secondary market, calculated in accordance with the above methodology, on its website, section “Government Debt”, heading “Government Securities Market”, “Volume of secondary market for the purposes of fulfilment under item 2 of the Criteria for selection of primary GS dealers”, within 3 working days following the end of the reporting period, based on information from the ESROT system.

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

Primary dealer applicants that have not been primary dealers or ESROT system participants during the assessment 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 Art. 7 of Ordinance No. 15 of 2007. The information on the volume of transactions in GS concluded by the applicant for the period during which the applicant has not been an ESROT participant shall be prepared or certified by the relevant GS sub-depositary in accordance with these instructions.

⁴ Electronic System for Registration and Servicing of Trade in Government Securities, in accordance with Art. 2, para. 4, item 3 of Ordinance No. 5 of 2007.

Criterion No. 3:

Provision of affordable services to their clients for trading in GS on the primary and secondary markets.

Fulfilment of criterion 3 will be assessed by monitoring the extent to which provision of services does not impose restrictive conditions on the clients of the primary dealer applicant and does not reduce transparency and liquidity of the GS market.

Criterion No. 4:

Provision of information to the Ministry of Finance on their activities on the GS market.

Criterion No. 5:

Participation in consultations with the Ministry of Finance regarding the development of the GS market and provision of on-demand analyses of its status and recommendations for updating the regulatory framework.

The fulfilment of criterion 4 and criterion 5 will be assessed in accordance with the participation of the e primary dealer applicants in issuer initiatives on the primary and secondary GS market.

These instructions are issued on the basis of § 5 of the Transitional and Final provisions in relation to Art. 6, para. 1 and para. 3 of Ordinance No. 15 of 2007 on the Control of Transactions in Government Securities and shall enter into force on 1 January 2021.

MINISTER:

KIRIL ANANIEV

ANNEX

Transactions to be included in the calculation of secondary GS market volume for the purposes of meeting the requirements under item 2 of the Criteria

Code	Transaction type	Bilateral notification
1000	Transaction for purchase and sale of GS between ESROT participants	Yes
1200	Repo transaction in GS between ESROT participants with movement of funds on cash settlement accounts.	Yes
1500	Lending transaction in GS between ESROT between ESROT participants without movement on cash settlement accounts	Yes
2000	Transaction for transfer of GS from an ESROT participant to their client	No
2100	Transaction for purchase of GS by an ESROT participant from their client	No
2200	Transaction for transfer of GS from an ESROT participant to their client with a subsequent repurchase	No
2250	GS lending transaction between a participant-lender and their client-borrower without movement on cash settlement accounts	No
2300	Transaction for purchase of GS by an ESROT participant from his client with a subsequent reverse sell-back	No
2350	Lending transaction in GS between participant-borrower and his client- lender without movement on cash settlement accounts	No
2500	Transaction for transfer of GS from a client of one ESROT participant to another ESROT participant	Yes
2550	Transaction for sale/purchase of GS from a client of one ESROT participant to another ESROT participant, with movement of funds	Yes
2700	Transaction for transfer of GS from a client of one ESROT participant to a client of another ESROT participant	Yes
2750	Transaction for sale/purchase of GS from a client of one ESROT participant to a client of another ESROT participant, with movement of funds	Yes
2800	Transaction for transfer of GS from one participant to a client of another participant	Yes
2850	Transaction for sale/purchase of GS from one ESROT participant to the client of another ESROT participant, with movement of funds	Yes
1210	Repo transaction in GS between ESROT participants with movement of funds on cash settlement accounts - part two	Yes
1510	Lending transaction in GS between ESROT participants without movement on cash 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	Lending transaction in GS between a participant-lender and his client-borrower without movement of funds on cash settlement accounts - part two	No

2310	Purchase transaction in GS by an ESROT participant from their client with a subsequent sell-back - part two	No
2360	Lending transaction in GS between participant-borrower and their client-lender without movement on cash settlement accounts - part two	No