

Regulation No. 15

on the Control over Transactions in Book-entry Government Securities

(Issued by the Ministry of Finance and the Bulgarian National Bank on 12 December 2002; published in the State Gazette, issue 119 of 27 December 2002)

Chapter One

General Provisions

Article 1. This Regulation shall establish the main purposes, procedure and manner of exercising control over transactions in book-entry government securities.

Article 2. The control over transactions in government securities is intended to ensure compliance with the provisions of the Law on the Government Debt, Regulation No. 5 of 2002 on the Terms and Procedure for Acquisition, Redemption and Trade in Government Securities, the criteria on evaluation and selection of government securities primary dealers (hereinafter referred to as ‘the criteria’) and the instructions issued jointly by the Minister of Finance and the Governor of the BNB.

Article 3. The control over transactions in government securities shall ensure a fair, effective and transparent market of government securities, shall protect investors’ interests and reduce to a minimum the risks in the systems for registration of government securities in compliance with the recommendations developed and adopted by the International Organization of Securities Commissions (IOSCO).

Chapter Two

Organization and Scope of the Control

Article 4. (1) The control over transactions in government securities shall include:

1. selection of government securities primary dealers;
2. control over criteria observance by the primary dealers of government securities upon their selection;
3. control over the systems for registration of government securities transactions in the BNB and primary dealers.

(2) The Ministry of Finance and the BNB shall organize the establishment and maintenance of an electronic register for keeping the information consistent with exercising control under para. 1.

Article 5. (1) Government securities primary dealers shall be selected by a commission consisting of eight members. The chairman and two of the members shall be elected by the Minister of Finance, the deputy chairman and three of the members of the commission by the Governor of the BNB, and one member by the chairman of the Bulgarian National Securities Commission.

2) The commission shall hold sessions at least twice annually and shall select government securities primary dealers for a period of up to six months.

(3) Primary dealers shall be selected on the basis of preannounced criteria approved by the Minister of Finance and the Governor of the BNB.

(4) The applicant for a primary dealer shall file an application expressing his wish to act as a primary dealer of government securities declaring that he meets the criteria and will fulfill them upon selection and shall observe the provisions of this Regulation and Regulation No. 5 of 2002 on the Terms and Procedure for Acquisition, Redemption and Trade in Government Securities. The application shall be signed by the persons representing the applicant for a primary dealer of government securities.

(5) The Tariff on Fees and Commissions Charged on government securities transactions and the Status Certificate issued by the court of registration shall be enclosed to the application.

(6) Applicants for primary dealers of government securities shall be evaluated on the basis of a written information provided by the BNB, the Bulgarian National Securities Commission and on-site inspections.

(7) The commission shall take decisions by a majority of all its members.

(8) The commission shall draw up minutes on the evaluation of the applicants for primary dealers which shall include: the list of the applicants, the results of the evaluation of the applicants and the list of the applicants tabled for approval.

(9) Where any of the members of the commission express a dissenting opinion, it shall be recorded and motivated in writing. The minutes of the commission shall be signed by all participants in the meeting.

(10) On a motion by the commission which shall be recorded in the minutes, the Minister of Finance and the Governor of the BNB shall approve the list of primary dealers.

Article 6. The commission shall adopt internal rules of its activities.

Article 7. (1) The current control over the performance of criteria by primary dealers upon their selection shall be exercised by the Ministry of Finance and the BNB according to preannounced requirements for active participation in the primary and secondary markets of government securities, presentation of information on government securities market, systems of registration, etc.

(2) The Bulgarian National Bank through the Banking Supervision Department shall monitor the performance of financial stability criterion by commercial banks in their capacity of primary dealers based on the set indicators of liquidity, own funds, capital adequacy, risk exposures and other financial indicators.

(3) The performance of financial stability criterion for other investment intermediaries approved to act as primary dealers of government securities which are not banks shall be monitored by the Bulgarian National Securities Commission.

Article 8. (1) The Bulgarian National Bank and the Ministry of Finance shall exercise control over the systems for registration of government securities transactions kept by primary dealers under Regulation No. 5 of 2002 on the Terms and Procedure for Acquisition, Redemption and Trade in Government Securities with regard to:

1. automated registers of government securities acquired by primary dealers and their customers in compliance with the requirements of Articles 14 and 17 of Regulation No. 5 of 2002 on the Terms and Procedure for Acquisition, Redemption and Trade in Government Securities;

2. observance of internal rules regulating the activities of concluding and registering government securities transactions in the primary and secondary markets;

3. monthly reconciliation of the data in the computerized book-entry system for registration of and trade in government securities kept with the BNB and written statements received by government securities primary dealers according to Appendices 1 and 2 concerning government securities acquired by primary dealers and their customers at nominal value in accordance with the data of registration systems kept by them;

4. other requirements determined by the Ministry of Finance and the BNB.

(2) The Bulgarian National Bank shall organize and exercise daily control over registration and accounting of the settlement of government securities transactions in the primary and secondary markets in compliance with the effective legislation through operating procedures and mechanisms employed.

Chapter Three

Control and Powers of the Controlling Bodies

Article 9. Control over registration of government securities transactions shall be based on reports, statements, information and other documents submitted by government securities primary dealers and commercial banks–nonprimary dealers of government securities, for which the BNB keeps a register, and shall be exercised monthly, quarterly or at the request of the Ministry of Finance and the BNB under Regulation No. 5 of 2002 on the Terms and Procedure for Acquisition, Redemption and Trade in Government Securities.

Article 10. (1) On-site inspection of government securities primary dealers and commercial banks–nonprimary dealers, of which the BNB keeps a register, shall be carried out jointly by officials of the Ministry of Finance and the BNB based on an order issued by the Minister of Finance and the Governor of the BNB or other persons authorized by them.

(2) Controlling persons shall have the right to:

1. a free access to the premises and documentation of examined persons concerning transactions in government securities;

2. require additional statements, information and other documents connected with the inspection.

Article 11. Controlling persons shall keep bank and official secrecy which have emerged in the process of the inspection.

Article 12. Managers and employees of examined persons shall provide assistance to the representatives of the Ministry of Finance and the BNB during the inspection.

Article 13. Persons carrying out the inspection shall:

1. analyze the examined activity;

2. draw conclusions on the compliance of the documents presented under Article 9 with the requirements of this Regulation and Regulation No. 5 of 2002 on the Terms and Procedure for Acquisition, Redemption and Trade in Government Securities;

3. draw up a findings statement of the inspection in triplicate, one of the copies shall be submitted to the examined persons.

Article 14. Upon ascertaining a breach, the controlling persons shall notify the commission on selection of government securities primary dealers which in accordance with its rules of activities may propose to the Minister of Finance and the Governor of the BNB or to the persons authorized by them to undertake the following enforcement measures:

1. a written warning;

2. an exclusion from the list of primary dealers of government securities.

Final Provisions

§ 1. This Regulation is issued pursuant to Article 36, para. 2 of the Law on the Government Debt.

§ 2. The Minister of Finance and the Governor of the Bulgarian National Bank shall issue internal rules on the enactment of this Regulation.

Appendix 1
to Article 8, para. 1, item 3
To
the Bulgarian National Bank
Fiscal Services Department

INFORMATION

about book-entry government securities kept in the register of at nominal value as of
(primary dealer) (date)
(BGN/USD/EUR)

Issue No.	Government securities in own portfolio		Government securities sold to nonprimary dealers*			Government securities sold to nonfinancial institutions*		Total (1+5+6)
	Total	Incl. frozen	Nonprimary dealers – CB	Nonprimary dealers – FBH and SII	Total (3+4)	Total	Incl. to nonresidents	
1. Short-term government securities	1	2	3	4	5	6	7	8
1								
2								
3								
-								
Short-term, total								
2. Medium-term government securities								
1								
2								
3								
-								
Medium-term, total								
3. Long-term government securities								
1								
2								
3								
-								
Long-term, total								

* Net balance of sold and repurchased government securities based on the registers kept by primary dealers.

Executive director:

Chief accountant:

CB – commercial bank
FBH – financial and brokerage house
SII – State Insurance Institute

Appendix 2
 to Article 8, para. 1, item 3
 To
 the Bulgarian National Bank
 Fiscal Services Department

INFORMATION

about book-entry government securities at nominal value acquired by commercial banks–nonprimary dealers, kept in the register of.....as of

(primary dealer) (date)

(BGN/USD/EUR)

Issue No.	Commercial bank–nonprimary dealer			Total (1+2+3)
	CB – nonprimary dealer	CB – nonprimary dealer	CB – nonprimary dealer	
1. Short-term government securities	1	2	3	4
1				
2				
-				
Short-term, total				
2. Medium-term government securities				
1				
2				
-				
Medium-term, total				
3. Long-term government securities				
1				
2				
-				
Long-term, total				

Executive director:

Chief accountant: