GOVERNMENT DEBT MANAGEMENT STRATEGY

2018–2020

Sofia, October 2017

CONTENT

Government debt management refers to the overall process coordinated by the development and implementation of a government debt management strategy outlining the approach adopted in pursuing specified targets in terms of securing any necessary debt financing in cases admissible under Art. 5 of the Government Debt Act, while taking into account the influence and constraining effects of external and domestic macroeconomic environment and potential risks. Its scope covers all activities related to assuming government debt by issuing GS, on the domestic and ICM, government loan agreements, including those accompanying the process of issuing securities – selection of PD of GS, selection and appointment of bank-managers and legal advisers, all actions related to debt servicing and reporting, as well as those related to carrying out various financial transactions and operations aiming at reducing the risks associated with the government debt structure, and optimization of government debt servicing.

The Government Debt Management Strategy for the period 2018-2020 has been developed by the Minister of Finance by virtue of Art.16, para.1 of the Government Debt Act and Art.77a of the Public Finances Act for the period of the relevant MTBF. The Strategy is focused on the government debt – both domestic and external, assumed by virtue of the Government Debt Act.

1. PROSPECTS FOR THE DEVELOPMENT OF DEBT MANAGEMENT – BASIC ASSUMPTIONS

The basis for the development of the GDMS for the period 2018-2020 is the SBRBA 2017, taking into account the fiscal targets, policies, forecasts and assumptions for the next three years as well as the development of the Updated MTBF for the period 2018-2020 and the draft SBRBA for 2018.

The medium-term government debt management policy will be entirely consistent with the major priorities of the government, the medium-term economic prospects, as well as with the measures for achieving the defined strategic goals of debt management while preserving the sustainability of the main debt parameters.

In the period 2018-2020, debt financing of the budget is envisaged in the form of GS within about BGN 1.0-1.2 billion per annum, based on the amount of maturing outstanding debt (annually in a range of around BGN 1.0 billion to BGN 1.6 billion). As main source of market-oriented financing during the reference period is singled out the internal debt market. In addition to the GS financing, in the period 2018-2020 has been envisaged disbursement of funds to the amount of approximately BGN 400 million averages per year for GL already contracted.

Table1: Debt and interest expenditures – key parameters

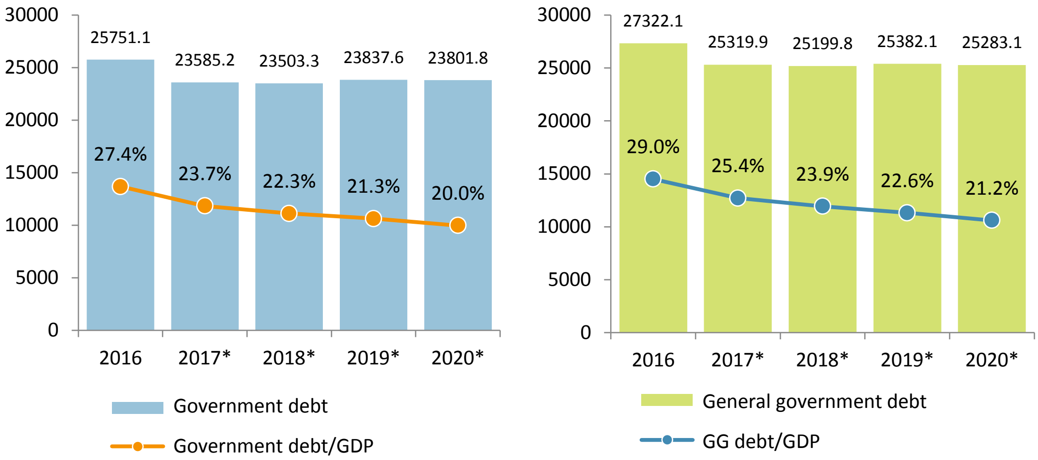
	2016	2017	2018	2019	2020
Parameter	report	expected	forecast	forecast	forecast
Government debt					
Government debt, BGN million	25 751.1	23 585.2	23 503.3	23 837.6	23 801.8
Government debt/GDP, %	27.4%	23.7%	22.3%	21.3%	20.0%
Government guaranteed debt					
Government guaranteed debt, BGN million	1 673.4	2 049.8	2 421.2	2 292.4	2 047.2
Government guaranteed debt /GDP, %	1.8%	2.1%	2.3%	2.0%	1.7%
General Government debt					
General Government debt , BGN million	27 322.1	25 319.9	25 199.8	25 382.1	25 283.1
General Government debt /GDP, %	29.0%	25.4%	23.9%	22.6%	21.2%
Government debt service expenditures					
Interest expenditures on debt, BGN million	692.7	792.9	684.3	705.7	723.3
Interest expenditures on debt /GDP, %	0.7%	0.8%	0.6%	0.6%	0.6%
GDP, BGN million (autumn macroeconomic forecast of MoF for the period 2017-2020)	94 130	99 624	105 609	112 134	119 193

Source: MoF

According to the assumptions made and the estimated net debt financing in 2017, government debt / GDP ratio decreases to 23.7% (against 27.4% in 2016). In nominal terms, government debt size increases slightly in 2019 and 2020, which is expected to be offset by the estimated higher GDP growth. The value of the debt/GDP ratio will decrease from 22.3% by the end of 2018 to 20.0% in 2020.

Fig. 1: Government debt amount in 2016–2020 *

(mln BGN)



* The data are estimates (based on MoF forecasting)

Source: MoF

The sensitivity analysis confirmed the expectations for a slight impact on debt obligations under a scenario for drastic changes in exchange rates and interest rates. It was established that for the period 2018-2020 an increase in the ratios BGN/USD and BGN/JPY by 20% would cause a minimal fluctuation in the nominal level of government debt with an increase of about 0.1%. Under this hypothesis, the planned amortization payments on the debt respond with an average deviation for the period of about 0.2% or by about BGN 3 million per year on average. The parallel change in 6M LIBOR-EUR, 6M LIBOR-USD, 6M EURIBOR and BIR under the same assumptions for a change – an increase of 20%, result in a minor increase (around 0.2%) of the interest expenditures on the debt envisaged for 2018-2020. The registered insignificant impact on the debt as well as on the means for its servicing under the assumptions made for a change of the main market variables does not indicate a serious dependence of the debt portfolio on the impact of the market risks.

The interest expenditures to GDP ratio will be preserved at a level of less than 1% over the entire period 2018-2020.

The Government Guaranteed Debt/GDP indicator is expected to increase from 1.8% to 2.1% at the end of 2017 compared to 2016, and to go down to a level of 1.7% in the period until 2020.

Ex-ante assessments of the ”General Government debt/GDP” ratio show that in the next three-year period (2018-2020) this indicator will remain at low levels well below the 60% maximum admissible reference value of the Maastricht convergence criterion. According to the estimates, in 2017, the General Government debt represents 25.4% of GDP compared to 29.0% at the end of 2016. In 2018-2020, the value of this indicator is planned to decrease over each of the years under review, reaching a level of around 21.2% at the end of the period. The main contribution and the component with the greatest impact on the sector's debt belong to the “Central government” sub-sector with a share of about 98.0%. ■

2. GOVERNMENT AND GOVERNMENT GUARANTEED DEBT

2.1 Government debt

As a result of the repayment in 2017 of a large volume of GS issued on the local market and the ICM (totalling around BGN 2.7 billion), the registered significant increase in government debt at the end of 2016 amounting to BGN 25.8 billion is partially offset. These operations, in addition to regular repayments on government loans, are expected to lead to a decrease in the debt level by the end of 2017 to around BGN 23.6 billion, or below the debt threshold provided in the SBRBA 2017 for a maximum amount of government debt at the end of the year of BGN 23.9 billion.

The relative share of external government debt in the government debt structure as of 31 December 2017 declines to 71.5%, on the account of the domestic debt that reaches a share of 28.5%, compared to 73.9% and 26.1% respectively in 2016.

Risks arising from a change in the underlying market variables are minimized, given the prevailing share of risk neutral currencies (BGN and EUR) and fixed interest coupons in the currency and interest rate structure of the government debt. The share of the debt in EUR and BGN as of 31 December 2017 is expected to stabilize at around 99.2%. There is a slight increase in share of debt with fixed interest rate coupons at the expense of floating rates, which is a result of the dominant borrowing of financial resources at fixed interest rates. Their relative weights in the total government debt at the end of 2017 are expected to be 95.4% and 4.6% respectively, compared to 95.0% and 5.0% in 2016.

The debt transactions carried out in 2017 have affected also the maturity structure of the debt (by residual term). There is a reduction of the maturity segment of up to 1 year from 10.3% as of 31 December 2016 to a level of 5.5% at the end of 2017. The opposite trend is reported for debt with a residual maturity of 1 to 5 years and from 5 to 10 years, the shares of which, mainly as a result of the GS placed in the domestic market, positioned in the medium and long-term segment, are foreseen to increase at the end of 2017 reaching 25.2% and 44, 9%.

Table 2: Key indicators of government debt

Indicators	31.12.2016 report	30.09.2017 report	31.12.2017 forecast
Total government debt, BGN million	25 751.1	23 468.9	23 585.2
GDP, BGN million	94 129.9	99 623.9	99 623.9
Total government debt /GDP, (%	27.4%	23.6%	23.7%
Domestic government debt, BGN million	6 724.6	6 517.6	6 713.6
External government debt, BGN million	19 026.5	16 951.3	16 871.7
Domestic government debt / Total government debt (%)	26.1%	27.8%	28.5%
External government debt /Total government debt (%)	73.9%	72.2%	71.5%
Interest rate structure of the government debt			
Fixed rate debt, BGN million	24 453.7	22 323.2	22 496.6
Floating rate debt, BGN million	1 297.4	1 145.7	1 088.7
Fixed rate debt (%)	95.0%	95.1%	95.4%
Floating rate debt (%)	5.0%	4.9%	4.6%
Currency structure of the government debt			
Debt in EUR, BGN million	20 423.7	18 359.1	18 263.0
Debt in BGN, BGN million	5 121.4	4 952.0	5 146.5
Debt in USD, BGN million	68.2	38.1	39.9
Debt in other currencies, BGN million	137.8	119.6	135.8
Debt in EUR (%)	79.3%	78.2%	77.4%
Debt in BGN (%)	19.9%	21.1%	21.8%
Debt in USD (%)	0.3%	0.2%	0.2%
Debt in other currencies (%)	0.5%	0.5%	0.6%
Maturity structure of the government debt (by residual term)			
Debt of up to and including 1 year, BGN million	2 645.7	1 118.2	1 304.9
Debt of more than 1 up to and including 5 years, BGN million	4 317.2	6 122.4	5 949.7
Debt of more than 5 up to and including 10 years, BGN million	10 842.5	10 273.5	10 593.6
Debt over and including 10 years, BGN million	7 945.7	5 954.8	5 737.0
Debt of up to and including 1 year (%)	10.3%	4.8%	5.5%
Debt of more than 1 up to and including 5 years (%)	16.8%	26.1%	25.2%
Debt of more than 5 up to and including 10 years (%)	42.1%	43.8%	44.9%
Debt over and including 10 years (%)	30.9%	25.4%	24.3%
Average residual maturity of the government debt (years)	7 y. 10 m. 3 d.	7 y. 11 m. 20 d.	7 y. 8 m. 23 d.

* GDP: 2016 – based on NSI data; 2017 – according to the autumn macroeconomic forecast of the MoF

Source: MoF

In the period 2016-2017 GS issues have remained the dominant source of debt financing, the majority of which have been placed on the ICM within the framework of the established GMTN program. The financial resource generated as a result of the securities issued is intended not only to cover upcoming debt payments, financing the budget respectively, but also to maintain the government's liquidity position. The rest of the funding represents resources disbursed under GL intended to support investment projects.

The issuance on the domestic market during the first half of 2017 has been limited compared to the preceding years due to a combination of factors, including the good indicators of budget implementation and the pre-financing on the international markets in March 2016.

The weighted average interest rate on domestic debt in 2017 continues to decline, reaching 3.37% at 3.62% in 2016, which will have a positive impact on debt servicing expenditures in the medium and long term.

Compared to the end of the previous year, the level of the average residual maturity of government debt at the end of December 31, 2017 does not indicate a significant deviation, remaining within 7 years 8 months and 23 days.

2.2 Government guaranteed debt

At the end of 2017, the tendency for the GGD in nominal terms to rise is expected to continue, reaching BGN 2 049.8 million, mainly due to planned disbursements under government-guaranteed loans for partial financing of the National Energy Efficiency Program of Multifamily Residential Buildings. As a percentage to the GDP in 2017 government guaranteed debt is expected to reach 2.1%.

The major part of the government guarantees is formed by external loans provided by official creditors such as IBRD, EBRD, CEB, KfW, etc. Domestic GGD is comprised of government guarantees issued by virtue of the Loans for Student and Doctoral-Candidate Loans Act, which as of 30.09.2017 holds a share of about 3,4% in the total amount of GGD.

In 2017, **no new government guarantees** on external credit agreements have been issued.

Table 3: Size and dynamics of the government guaranteed debt

Government guaranteed debt, BGN million	31.12.2016 report	30.09.2017 report	31.12.2017 forecast
Domestic government guaranteed debt	65.5	66.6	70.0
1. Guarantees under the Student and Doctoral-Candidate Loans Act	65.5	66.7	70.0
External government guaranteed debt	1 607.8	1 941.6	1 979.8
1. IBRD /World Bank/	507.6	563.2	560.7
2. EIB	2.7	2.9	5.7
3. EBRD	586.7	586.7	586.7
4. Other (EURATOM, JBIC, CEB, etc.)	510.8	788.7	826.6
Total amount of government guaranteed debt	**1 673.4**	**2 010.3**	**2 049.8**
Government guaranteed debt /GDP (%)	**1.8%**	**2.0%**	**2.1%**

Source: MoF

3. Economic prospects for the period 2018–2020

3.1 Development of the national economy in 2017

In the first half of 2017, real gross domestic product growth reached 3.7% compared to the same period of 2016, with domestic demand being the major driver. In line with the real increase in disposable income in the country, the positive development of the labour market and the reported more favourable estimates for consumer confidence, private consumption rose by 4.7%. Public consumption also went up (3.3%), supported by an increase in government expenditures for wages and maintenance. Gross fixed capital formation also reported a positive contribution. It increased by 3.4% as a result of the improvement in private investment activity, as well as the slowdown in the government capital expenditure decline over the period in consideration. Contrary to developments in 2016, the contribution of net export to economic growth weakened and turned negative as export growth slowed down to 4.7%, while higher domestic demand contributed to a faster acceleration of import to 7.6%.

Reported trends in the first half of the year will be sustained until the end of the year, thus Bulgarian economy is expected to report real growth of 4.0% for the entire 2017 driven by domestic demand and mainly by final consumption (4.3%). Concerning gross fixed capital formation, a 3.4% increase is expected with a positive contribution from both public and private investment. The external sector will have a neutral contribution to GDP growth in 2017.

3.2 Economic outlook for 2018–2020

In 2018, economic growth will slow down slightly to 3.9% under the influence of a stronger negative contribution of net export (-0.5 percentage points). On one hand, expectations for a weaker external demand will be reflected in lower growth of export of goods and services to 5.9%, with an expected growth of 6.1% in 2017. On the other hand, the growth of import of goods and services will remain high at a level of 7.1%, directly influenced by domestic demand. In 2018, the upward dynamics of domestic demand will remain supported by higher government expenditure and the acceleration of investment growth to 4.3%.

For the period 2019-2020, GDP growth is expected to remain at 3.9%. Domestic demand will continue to be the main driving force behind GDP growth due to both consumption and investment. At the same time, final consumption growth will slow down towards the end of the forecasting period due to a more limited increase in public consumption, on one hand, and a reduction in the positive dynamics of the labour market, on the other, as a result of the unfavourable demographic trends in the country. The weaker growth in consumption will result in a moderate increase in import, consequently the negative contribution of net export will decrease to 0.3 percentage points.

The expected slowdown in the economic activity of the country's major trading partners in 2018 will contribute to a deceleration in employment growth to around 0.6%. This trend will continue in 2019 and 2020 due to the negative demographic development and the corresponding effect on labour supply. Unemployment will continue to decrease gradually and is expected to reach 5.6% in 2020. Towards the end of the forecasting horizon, the workforce will decline but the economic activity of the population is expected to maintain the upward trend, backed by the pension reform and structural reforms on the labour market.

In line with the continuing labour demand in the economy, accelerated growth of labour productivity and domestic prices, compensation per employee will rise to 6.6% in 2018. In 2019-2020, the rate of increase of the indicator will remain high, but it is expected to slow down slightly in line with the expectations for a lower employment growth in the country. Within the forecasting period, the share of labour in value added will follow an upward trend, which will result in a moderate increase in nominal unit labour costs at an average rate of around 2.8% per year.

Given the expectations for rising international commodity prices, the average annual inflation in 2018 is expected to be 1.4%. In the period 2019-2020, it will continue to accelerate in line with the expected higher international oil and non-energy commodity prices and the increase in domestic demand.

In 2018-2020 import will grow faster in nominal terms than export, with the current account surplus expected to shrink to 4.1% of GDP at the end of the forecasting horizon. The development of the indicators under review will be driven by expectations for acceleration of imported volumes of goods as well as by the slight slowdown in export of goods as a result of a slowdown in external demand within the EU. The FDI inflow will continue to increase gradually, with its rate of change close to the nominal GDP growth. As a result, incoming FDI will be around 2.1-2.2% of GDP on average per year over the forecasting period.

Private credit growth will continue to accelerate in the period 2018–2020 in line with the expectations for improved economic activity, increase in households' consumption and acceleration of investments' growth. Claims on the private sector are expected to increase by 5.6% yoy at the end of 2018 and by 6.7% at the end of the forecasting period, driven to a greater extent by the growth of claims on non-financial corporations which will reach 6.9% yoy by the end of 2020.

3.3 Risks for the macroeconomic forecast

The main risks for the forecast, which affect public finances and the level of government debt, are associated with uncertainty about the development of the external environment, the dynamics of international prices, as well as the unfavourable demographic trends in the country.

This forecast follows a relatively conservative scenario, but the increased geopolitical tensions in some of the EU's major trading partners and the uncertainty about the way the negotiations and the actual exit of the United Kingdom from the EU will proceed create conditions for a slowdown of the economic activity in Bulgaria's main trading partners. Materialization of these factors will not only reduce the growth of Bulgaria's export, but it can also lead to a decrease in investment activity and consumer confidence in the country. They in turn are a factor for a weaker growth of the economy, which could result in lower budget revenues and an increase in the budget deficit.

In terms of growth factors evaluation, the main risk for the forecast is the supply of labour in the economy. In a context of rapidly exhausting potential for employment increase, the demographic influence could lead to a decline in the labour force as early as 2018, limiting employment growth and hence the growth rate of the economy. This in turn implies that, with a limited labour contribution, a lower than expected rate of labour productivity growth could also be a limiting factor for the potential growth in the medium and long term. A similar trend coupled with upward income dynamics due to insufficient labour supply will exert additional pressure to increase unit labour costs. The latter could have a favourable short-term effect on household consumption, but generally creates conditions for imbalances and influences negatively the cost competitiveness of the economy.

In this respect, changes in the structure and rate of growth of Bulgarian economy would have a significant impact on the possibilities for realization of the envisaged medium-term fiscal goals and parameters. Given the high share of indirect taxes in total tax revenues, a possible deterioration of domestic demand dynamics and, in particular, of final consumption will have a significant impact on the revenue side of the budget.

Another substantial factor influencing nominal growth of GDP and its components are international prices. This forecast is based on the assumption of a slight rise in oil prices in dollar terms. However, a possible price drop in 2018 will be reflected in a lower inflation. This in turn will contribute to a lower nominal growth of GDP and its components in 2018, and this effects will be observed in 2019, as well. ■

4. ANALYSIS OF THE RISKS RELATED TO THE STRUCTURE OF GOVERNMENT DEBT

The analysis of the risk for the period from 2018 to 2020 does not indicate the existence of a significant deviation in the levels of the key risk parameters that remain similar to the forecasts included in the Government Debt Management Strategy for the period 2017-2019. The actual values of the analysed measures retain the debt structure resilient to the risk impact and do not imply a portfolio exposed to disturbance in the next three-year period.

Table 4: Risk assessment indicators

Risk	Indicator	2016	2017	2018 *	2019 *	2020 *
Refinancing risk	Debt up to 1 year (per residual maturity as share of government debt, %)	10.3	5.5	4.1	4.6	6.0
	Average time to maturity (ATM) (years)	7.4	7.2	7.0	6.5	6.1
Interest rate risk	Ratio between fixed interest rate debt and floating interest rate debt (%)	95.0/5.0	95.4/4.6	96.2/3.8	97.1/2.9	97.7/2.3
	Average time to refixing (ATR) (years)	7.3	7.2	6.9	6.5	6.1
	Duration (years)	6.8	6.9	6.6	6.2	5.8
Currency risk	Ratio between domestic and external government debt (%)	73.9/26.1	71.5/28.5	72.5/27.5	71.6/28.4	71.5/28.5
	Ratio between debt in risk-neutral currencies – BGN and EUR as compared to the debt share in other currencies (% of the total amount of the government debt)	99.2/0.8	99.3/0.7	99.4/0.6	99.5/0.5	99.6/0.4
Liquidity risk	Ratio between debt up to 1 year (at residual maturity) and tax and social security revenues (%)	9.8	6.7	3.1	3.3	4.1
Risk related to debt size	Ratio between consolidated debt of "General government debt" and GDP (%)	29.0	25.4	23.9	22.6	21.2
	Ratio between government debt and GDP (%)	27.4	23.7	22.3	21.3	20.0
Risk related to contingent liabilities	Ratio between government guaranteed debt **and government debt (%)	6.5	8.7	10.3	9.6	8.6
	Ratio between government guaranteed debt and GDP (%)	1.8	2.1	2.3	2.0	1.7
Operating risk	– Established stable institutional structure for government debt management, having clearly delegated staff responsibilities, which operates within the framework of the Ministry of Finance; – Maintenance of the information system for analysis, forecasts and management of the government and government guaranteed debt – an official register of the government and government guaranteed debt; – Pursuing an operating risk reduction policy by applying and complying with internal standards and control systems; – Detailed rules and procedures about the organization of the operation of the structural unit in charge of government debt management.					

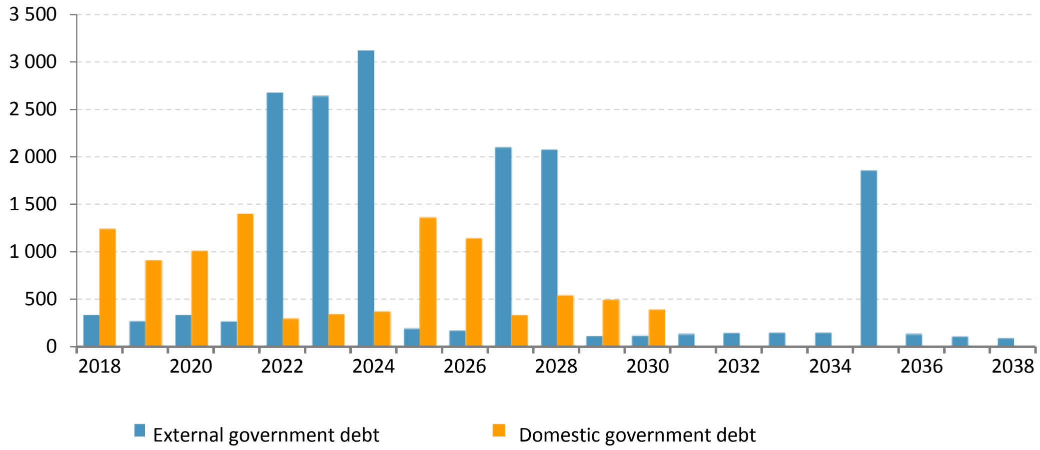
*Notes: * The data are estimates. They take into account the forecasts about the financing pursuant to the updated MTBF for 2018-2020; ** The calculations take also into account the forecasts for the drawdowns under government guaranteed loans of BDIF and BDB.*

4.1 Refinancing risk

The degree of refinancing risk is a reflection of the time distribution and the amount of principal payments in the debt portfolio. The chart below shows the government debt repayment profile, which shows a concentration of payments in the years when the bonds issued on the ICM[1] matured. This predetermines the implementation of appropriate debt refinancing instruments. In order to ensure stability of government debt servicing, timely positioning of amortization payments on government debt will be a high priority in determining the new loan financing.

Fig. 2: Redemption profile of government debt *

(BGN million)



* Active debt as of 30 September 2017 and assumed debt in line with estimates in the updated MTBF 2018-2020.

Source: MoF

After the maturity in July 2017 of the Eurobond issue, the indicator share of government debt with a residual maturity of up to 1 year in total government debt outstanding marked a decline to 5.5% (down from 10.3% in 2016) reaching a planned level of 6.0% at the end of 2020.

Between 2018 and 2020, the Average Time to Maturity (ATM) indicator is expected to decline, from 7.2 years in 2017 to 6.1 years by the end of 2020.

4.2 Market risk

The assessment of the interest and currency composition of the sovereign debt at the end of 2017 (liabilities in EUR and BGN represent 99.3% and the fixed interest rate debt – 95.4%) determines the low dependence of debt and costs for its servicing from changes in market indicators values. During the period 2018-

[1] At present, the debt portfolio of the Republic of Bulgaria comprises six Eurobond issues placed in the ICM.

2020, expectations are that the neutral impact of changes in interest rates and foreign exchange rates on debt will be preserved in view of the tendency for an increase of the share of debt in EUR and BGN as well as of fixed interest coupons debt in the debt structure.

According to the assumptions in the updated MTBF for 2018-2020, new debt financing is planned in the form of GS issues placed mainly on the domestic market and external government loans (GL and GIL), with prevailing fixed interest rates and risk neutral currencies. Such an approach minimizes the impact of market risks and provides better predictability with regard to debt servicing payments.

The value of the indicator for average period until the change of interest rate of debt coupons – Average time to refixing (ATR) for the period 2017-2020 implies a portfolio of a relatively low risk and it is expected to be within approximately 7.2 years to 6.1 years.

4.3 Liquidity risk

In the medium term, managing liquidity risk and bringing it to acceptable levels in the context of debt management requires an issuance policy that is associated with the ability to obtain and provide the necessary liquidity funds to cover the government's short-term liabilities, including refinancing of debt outstanding. This in turn corresponds directly to the maintenance of a stable liquidity position of the fiscal reserve[2], which as of 31 August 2017 is BGN 11.6 billion and helps to minimize the liquidity risks, ensuring proper budget financing. The data of the analysis carried out shows that after the repayment in July 2017 of the Eurobond issued in 2012, the degree of influence of the liquidity risk registered a decrease. An indicator of that is the gradual reduction of the ratio debt up to 1 year/ tax and social security revenues (a measure of liquidity risk) from 6.7% in 2017 to 4.1% in 2020. A substantial influence on the value of this indicator have the tax revenues forecasts, which due to the positive dynamics of the main macroeconomic indicators and the measures taken to raise the collection rate in the period 2018-2020, are expected to increase gradually.

[2] The scope of the fiscal reserve indicator is in accordance with § 1, item 41 of the additional provisions of the Public Finance Act.

4.4 Risk related to debt size

Ex-ante assessments of the "General government debt/GDP" ratio show that Bulgaria will maintain its leading position of low levels on this indicator compared to EU Member States in the following three-year period (2018-2020). The level of government indebtedness will remain far below the Maastricht convergence criterion of 60%.

On the basis of the annual data published by Eurostat in October 2017, the "General government debt /GDP" ratio at the end of 2016 was 29.0% (compared to 26.0% in 2015). The current value rank the Republic of Bulgaria for third a consecutive year the third place among the EU member states with the lowest state debt. After repaying Eurobonds maturing in July 2017, according to forecasted data, the level of this indicator is expected to decrease each year in the period 2017-2020 to 25,4%[3] in 2017, 23,9%[3] in 2018 , 22,6%[3] in 2019 and 21,2%[3] in 2020.

A major and substantial part of the total amount of the General Government debt is formed by the government debt assumed under the GDA, with a share of about 98% by the end of 2016. The forecasting calculations show that there will be no significant changes in the amount of government debt in the period 2017-2020. The forecast for the indicator general government debt/ GDP ratio shows a tendency to decline throughout the period under review, from 23.7% in 2017, to 20.0% by the end of 2020, regardless of the fact that in nominal terms the debt remains in the range of BGN 23.6 – 23.8 billion. The slight increase in the absolute value of government debt in the last two years of the period under review will be offset by the forecasted of higher GDP growth.

4.5 Risk related to contingent liabilities in the form of government guarantees

As a direct consequence of the draw downs on the new government guarantees issued in 2016 under loan agreements concluded by BDIF with EBRD and IBRD – (Deposit Guarantee Enhancement Project), by BDB with KfW and CEB for partial financing of the National Energy Efficiency Program of Multifamily Residential Buildings as well as under the student loan program the GGD is projected to grow, albeit at a moderate pace in 2017-2018, both in nominal terms and as a ratio to GDP. As a share of GDP, the GGD is expected to reach a level of 2.3% at the end of 2018 (while 2.1% at the end of 2017), and related to the size of the

[3] Compared to the forecasting GDP level in the October 2017 autumn forecast of the MoF

government debt to a level of 10.3% (while 8.7% at the end of 2017). In 2020, the GGD is projected to decline to 1.7% of GDP and 8.6% of government debt.

The approach to the approval of new government guarantees will continue to be strictly regulated, subject to specific criteria and linked to a risk assessment for the budget. Monitoring of the current financial position of beneficiaries, evaluation of the risk of materialization of the existing contingent liabilities, annual determination of the maximum amount of the new government guarantees that may be issued throughout the year as well as the provisioning of funds in the annual SBRBA to cover the risk of government guarantees being called will help limiting the impact of the risk and keeping it at a safe level.

4.6 Operating risk

In the period 2018-2020, efforts in this field will continue to focus on the form of government debt management and control activities, directly related to the implementation of a consistent and standardised internal control system. The approach will be maintained of following legal provisions applied so far to the financial management and control in the public sector, as well as the rules and procedures developed in this respect on the operation of the unit in charge of debt management at MoF, specifying clear-cut well-systematized responsibilities for the employees. The ongoing maintenance and improvement of the functional capabilities of the established official register of government and government guaranteed debt, a software atomising the data processing processes related to the management of sovereign debt and ensuring quality and reliability, will have an additional positive impact on the risk profile. ■

5. GOALS OF THE GOVERNMENT DEBT MANAGEMENT POLICY

The main goal of debt management is provision of the necessary resources for refinancing the debt outstanding, financing the state budget when necessary and ensuring stability of the fiscal reserve at an optimal possible price and acceptable level of risk.

5.1 Sub-objective: Maintaining control over the pace of change of government debt parameters

Measure: Conducting a policy of new borrowing pursuant to the statutory terms and procedures

In the upcoming three-year period, the new borrowing policy will be implemented through strict adherence to statutory terms and procedures. The new debt financing will be mainly adapted to the budget financing needs in order to provide funds for refinancing the debt outstanding, accompanied by a comprehensive analysis and assessment of appropriate debt sources in order to maintain the stability of key debt indicators. Preserving the priority of assuming new debt in Euro and BGN as main borrowing currencies and at fixed interest rates coupons is predetermined by the need to maintain budget expenditure predictability and by the fact that the BGN is pegged to the Euro in the context of the currency board operating in the country.

Approving of new investment projects to be funded with government and government guaranteed loans within the framework of the discussed period (2018-2020) will continue to be restrictive and in consistent and strict compliance with the statutory terms and procedures, outlining the priority areas for financing, corresponding to the level of readiness for project implementation and the future impact of the financing on the state budget. In 2017 as well within the framework of the procedure pursuant to the Ordinance[4] , no new investment projects have been approved for 2018 whose financing requires conclusion of government loan agreements and new projects, for which a government guarantee needs to be issued under the loans for their financing.

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4 Ordinance on the requirements to be met by investment projects financed by government loans and by projects applying for financing by a government guarantee, and the procedure for their consideration, adopted by Decree of the Council of Ministers No. 337 of 2015 (promulg. SG is. 94 of 4.12.2015).

- **Measure: Maintaining the amount of government and government guaranteed debt at levels which do not exceed the legally planned ceilings and the Maastricht criterion for the debt/GDP ratio**

The maintenance of the level of government debt at a sustainable level is projected to be implemented in the medium-term budgetary targets and the debt constraints set out in the annual state budget laws. In the context of a diminishing need for debt financing, planned gradual fiscal consolidation and a stable growth rate at the end of 2018, a negative net debt financing is expected to be realized and government debt to fall to BGN 23.5 billion or 22.3% of the forecasted GDP level. With a declining ratio of government debt to forecasted GDP, the debt is expected to reach about BGN 23.8 billion or 20.0% of GDP by the end of 2020.

5.2 Sub-objective: Provision of opportunities for market-oriented debt financing guaranteeing budget stability

- **Measure: Conducting a predictable and well-balanced borrowing policy by applying an analytical approach to the selection of new debt instruments**

Under the ongoing fiscal consolidation and diminishing borrowing needs, the absence of large external debt repayments puts the domestic debt market at the forefront as the primary source of government debt financing. The issuance policy during the period 2018-2020 will be consistent on the one hand with the upcoming maturities on GS and the need to provide new benchmark bonds to promote the secondary market, and on the other hand, with the liquidity needs of the budget and ensuring an adequate level of the fiscal reserve.

The choice of maturity structure for the new debt securities will be complained with the government debt repayment profile, prevailing market conditions, investor demand. During the period, the offering of 10.5-year GS at the beginning of the issue year will continue to ensure the availability throughout the year of a bond that complies with the requirements for residual maturity for harmonized long-term interest rate for assessing the level of convergence which is one of the Maastricht criteria for membership in the Eurozone.

- **Measure: Preserving the opportunity for financing by way of the Global Medium Term Note Programme for Debt Issuance on the International Capital Markets (GMTN programme) in order to ensure maximum flexibility in the choice of financing structure in reference to markets, maturities and currencies**

At the beginning of 2015, the Global Medium-Term Program of the Republic of Bulgaria was established for the issuance of bonds on the ICM. The program is an instrument that is standardized for the international investment community for issuing bonds subject to English law, registered for trading on the Luxembourg Stock Exchange, with clearing and settlement in Euroclear and Clearstream. The maximum amount of debt that can be borrowed is EUR 8 billion, with Eurobonds with a total nominal value of EUR 5,144 billion being issued to date. A condition for the assumption of debt under the program is the availability of an authorization to do so in the relevant annual state budget act, which also sets an annual limit for the issuance of securities under the program. The program provides flexibility for choosing the most optimal strategy for implementing issuing policies. The planned fiscal consolidation over the medium term and the absence of peak government debt payments over the period 2018-2020 do not impose the use of this instrument to secure the necessary debt financing over the next three years.

5.3 Sub-objective: Development and modernisation of GS market

- **Measure: Taking steps to start trading of GS at organized trading venues in 2016 and 2017**

In order to meet the increased European transparency and liquidity requirements for trading in financial instruments (MiFIDII/MiFIR and CRR/CRDIV), in 2016 an analysis of possible options for the selection of a trading venue was carried out by an interinstitutional working group with representatives of the MoF, BNB and market participants, as a result of which it was decided in 2017 the secondary trading of government securities to start at the same time on the Bloomberg E-Bond System – an Electronic Functionality for Trading in Securities to the Bloomberg Professional platform and consequently on the RM – MTFs and the Bulgarian Stock Exchange – Sofia AD (BSE).

In this respect are the subsequent amendments and supplements to Ordinance No. 5 of 2007 on the Terms and Conditions for Acquisition, Registration, Payment and Trading in Government Securities and Amendments to Ordinance No. 15 of

2007 on Control of Transactions with Government Securities published in the State Gazette, issue no. 29 of 2017.

Pursuant to § 10 of the Final Provisions of the Ordinance on Amendment to Ordinance No. 5 of 2007 on the Terms and Conditions for Acquisition, Registration, Payment and Trading in Government Securities (SG, issue 29 of 2017) Rules for Trading, Closing and Monitoring of Government Securities Transactions on the Bloomberg E-Bond System have been approved by the Minister of Finance and the Governor of the BNB. Pursuant to § 9 of the Final Provisions of the amending ordinance Rules for Admission of Government Securities on a Regulated Market, Organized by the Bulgarian Stock Exchange – Sofia AD and Closing of Transactions with them in the BNB, sub-depositories of GS and Central Depository AD have been approved by the Minister of Finance and the Governor of the BNB, within their competence.

By the end of 2017, the secondary trading of government securities on MTF and RM is expected to be finally launched in order to comply with the requirements of the new regulations in the field of financial services in relation to the sovereign bonds.

Measure: Prospects for the development of the secondary GS Market in 2018-2020

After the establishment of an organized trading venue in GS in Bulgaria, additional economic positive effects are expected to take effect, such as promotion of transparency, establishment of a liquidity benchmark curve of the secondary market; restriction of speculative practices, facilitating the access to a larger circle of investors, including foreigners, via freely accessible and fair prices, respectively enhanced attractiveness of the Bulgarian GS issued on the internal market for investors; promotion of further integration to the single European internal market, incl., aiming to increase the integration of foreign investors to the local market of government debt, etc. The improved transparency of the GS market is also of special importance taking into account that GS are one of the main sources for budget financing, as well as in view of the fact that GS, issued on the domestic market, represent an important investment instrument in the debt portfolio of a large circle of banks and institutional investors.

In this respect, in the period 2018-2020 it is necessary to undertake legal, methodological, market and technological actions in the context of monitoring the GS market and evaluating the performance of the primary dealers of GS. This implies an in-depth analysis of the GS market, taking into account the new regulations in the field of financial services, drafting an impact assessment and changing the methodology for performance evaluation and selection of primary dealers of GS, as a major economic mechanism for adjusting and regulating the market and for ensuring the technical infrastructure in compliance with the existing post-trading infrastructure (Government Securities Depositary at BNB), etc.

Legislative changes are envisaged, not only in order to harmonize Bulgarian legislation with the European legislation but also to model the market infrastructure by building mechanisms for achieving the strategic goals imposed on Member States for prudential requirements to credit institutions and investment intermediaries, and provision of adequate powers that the supervisory authorities need to perform their functions.

This will impose an improvement of the primary dealership system in the direction of changing the selection criteria for PD so that the requirements of transparency and liquidity of the secondary market of GS are met by the PD and in order to increase their activity to strengthen their role of stimulating the trade in GS. In the mid-term will be set up an integrated information system at the MoF, which will ensure the monitoring of secondary market of GS. ■

6. ANNEXES

6.1 Annex 1: Abbreviations and glossary

Used abbreviations

GDP	Gross domestic product
BNB	Bulgarian National Bank
BDB	Bulgarian Development Bank
CEB	Council of Europe Development Bank
GGD	Government guaranteed debt
GL	Government loans
GIL	Government investment loans
GS	Government securities
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EC	European Commission
EU	European Union
ECB	European Central Bank
SBRBA	State Budget of the Republic of Bulgaria Act
GDA	Government Debt Act
MFIA	Markets in Financial Instruments Act
KfW	Kreditanstalt für Wiederaufau (KfW)
CFP	Consolidated fiscal programme
ICM	International capital markets
MoF	Ministry of Finance
IFI	International financial institutions
IBRD	International Bank for Reconstruction and Development
PD	Primary dealers
MTBF	Medium-term budget forecasting
GDMS	Government debt management strategy
BDIF	Bulgarian Deposit Insurance Fund
FR	Fiscal reserve
GMTN Programme	Global Medium-term Note Programme for Debt Issuance on the international capital markets
MTF	Multilateral Trading Facility
OTC	Over-the-counter market
RM	Regulated market
OTF	Organised Trading Facility

Glossary

Currency risk – it is related to the vulnerability of the debt portfolio, amortizations and its servicing costs resulting from the depreciation of the value of national currency. The changes in exchange rates may have an impact on the debt servicing cost and hence – on the budget. A debt denominated in foreign currency will lead to a volatility of debt servicing costs, measured in the national currency;

Interest rate risk – It is related to the vulnerability of the debt portfolio, as well as to the government debt costs resulting from higher interest rates on the market at the moment when the fluctuating interest rate debt and the maturing fixed rate undergo readjustment. Market prices changes that influence the debt servicing costs may result in deviations from the amount of debt servicing costs set forth in the state budget;

Market risk – Risk related to unexpected changes in the levels of market variables such as exchange rates, interest rates, prices of goods, which affect debt service costs.

Liquidity risk – It is determined by the need of liquidity funds to cover short-term obligations and accounts for the probability of liquidity problems for the budget when covering these obligations. It is a variety of the refinancing risk and is directly related to the market risk;

Refinancing risk – It is related mainly to the possible inability to obtain new financing, when the debt reaches its maturity (the maturing debt will not be subject to refinancing) or to receiving a new financing at a much higher price only. It is measured by the amount of debt, which shall be refinanced during the specific period (typically a year);

Risk related to debt size – It is associated with the level of government debt, which may generate significant threats on certain occasions to the financial stability of the country;

Risk related to contingent obligations in the form of government guarantees – Government guarantees have significant impact on the sustainability of government debt. It is associated with the risk of the guarantees being called at a certain time and therefore it is important to take into account the potential risk for their activation;

Operational risk – It is identified most of all with the form of organization of the activities related to the management and control of government debt;

Debt of up to 1 year (at residual term) – that part of the debt which will mature within a term of up to 1 year;

Average term to maturity (ATM) – the average period to maturity, which is an average weighted of the repayments as per the time to their maturity. It does not take into consideration the payment of interests, so it does not provide information about the overall risk which debt servicing poses on budget;

$$ATM = \sum_{t=0}^{n} \frac{t \cdot R_t}{Nom}$$

R_t: Repayments at time t
t: Period till maturity
Nom: Nominal value of due debt
n: Final debt maturity

Ratio between fixed interest rate debt and floating interest rate debt – shows the exposure of the debt portfolio to interest rate risk;

Average time to refixing of debt portfolio interest rate (ATR)

$$ATR = \sum_{t=0}^{n} \frac{t.RF_t + t_0.RV}{Nom}$$

RF_t – Repayments at the moment **t**, which is determined on the basis of the planned payment date as a ratio of he days from the end date of the reference report to the days of the year when the payment is consigned;

RV – Floating interest rate debt at the moment **t_0** ;

t: period to maturity: it is calculated on the basis of the actual payment date planned ;

t_0 : time for change in interests rates; for floating interest rate debt it is accepted to be **t_0**=0.5;

Nom: nominal amount of the debt (total amount: fixed interest rate debt and floating interest rate debt);

n: last debt maturity; maximum term within which the debt of all selected credited instruments is paid in full;

The measuring of the risk does not take into consideration the cash flows of interest rate payments.

Duration – it is used as a unit measure for the average period with fixed interest rate, which indicates how quickly the changes in interest rates will have an impact on debt related costs. Short duration means that the changes in interest rates will influence actual debt costs fast, while long duration means that the interest rate will not be changed over a long period of time for a major part of the debt portfolio;

Redemption profile – the redemption debt profile consists of a series of amortisation payments resulting from the debt outstanding;

Ratio of the debt in foreign currency to the total debt – an indicator contributing to determining currency and liquidity risk.

6.2 Annex 2: Legislative framework applicable to the government debt in the Republic of Bulgaria

Government debt

Government and government guaranteed debt

Constitution of the Republic of Bulgaria

- Art. 84, it. 9 – The National Assembly shall grant consent to the conclusion of agreements on government loans
- Art.85, it. 4, 5, 7 and 8 – The National Assembly shall ratify or denounce by a low the international treaties, which:
  - Impose financial obligations on the State;
  - Provide for participation of the State in arbitral or court settlement of international disputes;
  - Affect the operation of the law or require measures of a legislative nature for the performance thereof;
  - Expressly require ratification.

Government Debt Act

- regulates the procedure of undertaking government debt and for issuing government guarantees, the types of debt and the government debt agency functions (Art.1);

Public Finance Act

- Any interest and principle payables related to government debt shall constitute a priority liability for the state budget. (Art. 38).

Consolidated debt of General Government sector

Public Finance Act

- Regulates the budgetary framework, the general scheme and the structure of public finances, including the fiscal rules and constraints (Art.1, para. 1, it. 3);
- Regulates the fiscal rules and constraints which cover both indicators of the national methodology – about the budget balance and the costs for the consolidated fiscal programme (in cash terms) and about the government debt, as well as indicators concerning the General Government Sector (for some rules – and for its respective sub-sectors) – about the medium-term budgetary objective of structural deficit, about the budget balance and the consolidated debt of the General Government Sector;
- Specific provisions are included for the cases of deviation from the objective/constraint and the respective corrective mechanisms and measures for restoring the compliance with the objective or with the correct constraint;
- Introduces a definition about the consolidated debt of the General Government Sector, brought in line with the requirements of the Council Regulation (EC) No. 479/2009 of 25 May 2009 on the application of the Protocol on the procedure under excessive deficit.

Debt constraints

Public Finance Act

I. Constraints on the consolidated General Government debt

60% threshold for the consolidated General Government Debt/GDP

- The nominal amount of the consolidated General Government debt at the end of every year may not exceed 60 per cent of the gross domestic product. (Art.29 para.1).
- The consolidated general government debt at the end of every year, as a proportion of the gross domestic product, may not exceed the ratio of the preceding year for as long as that ratio is higher than 60 per cent. (Art.29 para.3).

II. Constraints on the maximum amount of government debt – Art. 37, para. 1, 2, 3 and 4

(1) The State Budget Act for the relevant year determines the constraints the maximum amount of:

1. The new government debt that may be assumed during the year specifying, on a case-by-case basis, the maximum amounts of debt to be assumed:
   a) under the Government Debt Act;
   b) through financial leasing and the other forms of debt laid down in Council Regulation (EC) No. 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit, annexed to the Treaty establishing the European Community (OJ, L 145/1 of 10 June 2009), with the exception of the financial resources received as collateral under Art. 152, para. 5, 8 and 12, as well as the financial resources under Art. 156 and the external financial resources;
2. The new government guarantees under the Government Debt Act, that may be assumed during the year;
3. The year-end government debt;
4. Other guarantees in respect of which such constraints are provided by law.

(2) The State Budget Act for the relevant year may also set the constrains on the maximum amount of the Central Government sub-sector debt.

(3) The State Budget Act for the relevant year shall also encompass all investment projects and specific programmes approved by the Council of Ministers according to the Government Debt Act, which will be financed by government or government guaranteed loans.

4) The State Budget Act for the relevant year shall also encompass projects exceeding a value threshold, as set out in an instrument of the Council of Ministers, which will be financed by a financial leasing or other forms of government debt other than those regulated by the Government Debt Act.

Corrective mechanisms

Public Finances Act – Art. 29, para.2 and 4

- If the nominal amount of the consolidated General Government debt exceeds 60 % of the gross domestic product, the medium-term budgetary forecast and the State Budget Act shall set out measures aimed at annually decreasing that debt by at least 5 per cent of the excess ascertained, until reaching the 60% ratio.
- In the cases referred to in para.2, the State Budget Act for the relevant year may set out additional constraints on assuming debt by the municipalities and social security funds, including constraints applicable to a specific municipality or social security fund, as well as by other entities within the General Government Sector.

Scope of government debt and consolidated General Government debt

Government debt	General Government debt
1) Scope of debt	
Government Debt Act • All financial obligations, undertaken on behalf and for the account of the government in compliance with the Constitution, shall constitute government debt, and shall represent a liability of the government (Art.2) **Public Finance Act** • "Government debt" means the debt defined in the Government Debt Act, as well as any other forms of debt pursuant to Council Regulation (EC) No. 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure, annexed to the Treaty establishing the European Community, which is incurred and paid from the central state budget and from the persons whose budgets form part of the state budget, including through their accounts for EU funds (§ 1, it. 15 of the Additional Provisions)	**Public Finance Act** • Consolidated General Government debt means the debt of the general government sector according to the requirements set out in Council Regulation (EC) No. 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure, annexed to the Treaty establishing the European Community. • Local government debt means the municipal debt and the debt of all entity within the Local Government sub-sector, pursuant to Council Regulation (EC) No. 479/2009 of 25 May 2009 according to the Protocol on the excessive deficit procedure, annexed to the Treaty establishing the European Community. • Central Government debt means the debt of Central Government sub-sector according to Council Regulation (EC) No. 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure, annexed to the Treaty establishing the European Community. • Debt of the social security funds means the debt of the sub-sector of social security funds according to Council Regulation (EC) No. 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure, annexed to the Treaty establishing the European Community. (§1, it.12, 13 and 14 of the Additional Provisions)
2) Instruments forming debt	
Government debt pursuant to the Government Debt Act (Art.4 and 5) • Government debt shall be taken through: – Issues of government securities; – Government loan agreements. • Government debt may be taken in the following cases: – to finance the budget deficit; – to finance investment projects and specific programmes, where approved by the National Assembly; – to refinance the government debt outstanding on or before the maturity	**General Government debt** • Issues of government securities; • Government loan agreements; • Financial lease; • Other forms of debt pursuant to *Council Regulation (EC) No. 479/2009* of 25 May 2009 on the application of the Protocol on the excessive deficit, annexed to the Treaty establishing the European Community, (OJ, L 145/1 of 10 June 2009), (assignments, factoring, etc.).

Government debt	General Government debt
date; – to meet payments under government guarantees that have become due; – to support the balance of payments of Bulgaria. – To finance projects through financial instruments within the meaning of Art. 2, item 11 of Regulation 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 , (OJ L 347 / 320 of 20 December 2013), provided by financial intermediaries selected by the „Fund Manager of Financial Instruments in Bulgaria“ EAD based in an open, transparent, proportionate and non-discriminatory procedure. **Government debt under the Public Finance Act** (§ 1, it. 15 of the Additional Provisions) • “Government Debt” " means the debt defined in the **Government Debt Act,** as well as any the other forms of debt pursuant to **Council Regulation (EC) No. 479/2009** of 25 May 2009 on the application of the Protocol on the excessive deficit procedure, annexed to the **Treaty establishing the European Community**, which is incurred and paid from the central budget and by the persons whose budgets form part of the state budget, including through their accounts for EU funds.	

6.3 Annex 3: LATEST CHANGES IN THE LEGAL FRAMEWORK

Ordinance Amending and Supplementing Ordinance No 5of 2007on the Terms and Conditions for Acquisition, Registration, Payment and Trading in Government Securities (Promulg. SG, is. 29 of 2017)

- Ordinance Amending and Supplementing Ordinance No 5of 2007on the Terms and Conditions for Acquisition, Registration, Payment and Trading in Government Securities has been promulgated in the State Gazette on April 7, 2017.
- Based on Art. 36, para. 1 of the Government Debt Act, containing a legal delegation for the issuance of Ordinance No. 5 of 2007 on the Terms and Conditions for Acquisition, Registration, Payment and Trading in Government Securities (Ordinance No. 5 of 2007), the provisions of the this secondary legislation are applicable to the registration of transactions in government securities concluded in the RM and the MTF. Trade in government securities in the RM and the MTF regulated by the MFIA and the acts on its implementation remains outside the scope of Ordinance No. 5 of 2007.
- The additional amendments to Ordinance No. 5 of 2007 were made in order to include in its scope the requirement for a license of the central depositaries in connection with the implementation of Regulation (EC) No 909 of 2014 of the European Parliament and the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.
- A new Section I "General Provisions" has been created in Chapter Three with existing Articles 16 and 16a and a new Art. 16b that governs transactions in government securities concluded through an electronic trading platform, which enables the commencement of trading in government securities on the E-Bond system, that is an electronic trading functionality to the Bloomberg Professional platform.
- A definition of the term "trading platform" is given with item 11 of § 1 of the Additional Provisions.
- § 9 and § 10 of the Final Provisions provide that the Minister of Finance and the Governor of the BNB shall approve rules for the admission to trading and the closing of transactions in government securities concluded in the RM and the MTF as well as the rules under Article 16b for the trading in government securities on an electronic platform that is necessary for the start of government securities trading at organized trading venues.

Ordinance Amending Ordinance No 15 of 2007on the Control over Transactions in Government Securities (Promulg. SG, is. 29 of 2017)

- Ordinance Amending Ordinance No 15 of 2007on the Control over Transactions in Government Securities has been promulgated in the State Gazette on April 7, 2017
- The purpose of the amendments made to Ordinance No. 15 of 2007 on the Control of Transactions in Government Securities (Ordinance No. 15 of 2007) is to extend the scope of the secondary legislation which will also apply to the control over the systems for registration and settlement of transactions in government securities concluded in the RM or the MTF. This is also the purpose of the amendments made to distinguish primary market transactions and operations from the registration of secondary market transactions, including those concluded in the RM and the MTF.
- The texts of Art. 2 and Art. 3 of Ordinance No. 15 of 2007 have been refined, adding that the regulation and control of the Ordinance include not only the regulation and control of primary market transactions in government securities but also the regulation and control over the registration of secondary market transactions in government securities. The amendments to Ordinance No. 15 of 2007 do not derogate the powers of the Financial Supervision Commission in respect of the trade conducted in GS in the RM and the MTF.