

Ordinance No. 31 of 4 October 2007 on Government Securities Settlement

(Published in the Darjaven Vestnik, issue 85 of 23 October 2007; amended, issue 100 of 2013)

Chapter One **General Provisions**

Article 1. This Ordinance shall provide for the settlement of transactions in bookentry government securities issued by the Minister of Finance in the domestic market, hereinafter referred to as ‘government securities,’ in the Bulgarian National Bank (BNB) and for keeping individual accounts by subdepositories of government securities under the procedure of Ordinance No. 5 of 2007 on the Terms and Procedure for Acquisition, Registration, Redemption and Trade in Government Securities (Ordinance No. 5 of 2007).

Article 2. (amended; Darjaven Vestnik, issue 100 of 2013) Settlement of government securities transactions in the BNB shall be a transfer of government securities with or without a transfer of funds based on a request/notification of a transaction submitted via the Electronic System for Registration and Servicing of Trade in Government Securities (ESROT).

Article 3. (1) The Bulgarian National Bank shall establish and maintain a Government Securities Settlement System (GSSS) consisting of at least three members that may be primary dealers, subdepositories of government securities and other entities – ESROT participants as determined under Article 3 of Ordinance No. 5 of 2007.

(2) (amended; Darjaven Vestnik, issue 100 of 2013) Transfers of funds on government securities transactions shall be effected via the Real-time Interbank Grosssettlement System (RINGS) and the Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2).

Article 4. (1) The Bulgarian National Bank shall be the settlement agent for government securities.

(2) (amended; Darjaven Vestnik, issue 100 of 2013) The Bulgarian National Bank shall establish and maintain the systems under Articles

2 and 3, paragraph 1 by introducing general rules guaranteeing the fulfillment of obligations related to participation in the systems based on an agreement.

Request/notification for registration of a transaction in government securities sent to ESROT in compliance with its rules shall not be rejected after the time specified in the system rules. Actions taken by a participant in the system or a third party after this time and intended to withdraw or reject this request/notification for registration of a transaction shall be deemed invalid.

Article 5. (amended; Darjaven Vestnik, issue 100 of 2013) In its capacity as a settlement agent, the BNB shall ex officio effect the settlement of government securities transactions in the primary and secondary markets on participants' cash settlement accounts in RINGS and TARGET2 and on government securities settlement accounts kept in the GSSS.

Article 6. (1) The settlement of government securities transactions may be:

1. with a flow of funds in compliance with the DVP (delivery versus payment) principle where the transfer of government securities and funds is effected simultaneously on a gross basis (DVP – Model 1);

2. (amended; Darjaven Vestnik, issue 100 of 2013) without a flow of funds (FOP – free of payment).

(2) (amended; Darjaven Vestnik, issue 100 of 2013) The settlement of government securities transactions shall be effected according to a schedule of the ESROT system day preliminary announced by the Ministry of Finance and the BNB in accordance with the working time of RINGS and TARGET2.

(3) The settlement of government securities transactions, except for those under Article 20, paragraphs 2 and 3 of Ordinance No. 5 of 2007, shall be effected in compliance with the principle of bilateral notice, one by each party to the transaction.

(4) The effected transactions shall be confirmed in the shortest time practicable after their conclusion.

Chapter Two

Opening, Keeping and Closing of Government Securities Settlement Accounts

(title amended; Darjaven Vestnik, issue 100 of 2013)

Article 7. (amended; Darjaven Vestnik, issue 100 of 2013) The Bulgarian National Bank shall open a government securities settlement account of the issuer for recording all government securities of a particular issue upon their initial issuance, repurchase prior to maturity and redemption. The Bulgarian National Bank shall guarantee the integrity of each issue from the date of issue until its maturity.

Article 8. (1) (amended; Darjaven Vestnik, issue 100 of 2013) The Bulgarian National Bank shall open and keep government securities settlement accounts in the Government Securities Settlement System, as follows:

1. 'government securities owned by GSSS participants' account;
2. 'government securities owned by customers of GSSS participants' omnibus account;
3. 'encumbered government securities owned by GSSS participants' account.

(2) (amended; Darjaven Vestnik, issue 100 of 2013) By a decision of the BNB, other government securities settlement accounts of the participants in the Government Securities Settlement System may also be opened.

(3) Government securities shall be blocked on the account under paragraph 1, item 3 in case of:

- a) establishing a pledge under the Law on Registered Pledges;
- b) collateralizing funds on accounts and deposits of budget organizations with banks;
- c) in other cases;

Article 9. Ex officio, the Bulgarian National Bank shall open the accounts under Article 8 for each issue of government securities acquired in the primary and/or secondary markets on the basis of a submitted request in writing according to a sample in Appendix 1

Article 10. (1) (amended; Darjaven Vestnik, issue 100 of 2013) The settlement of government securities transactions effected in the primary and secondary markets shall be recorded on the government securities settlement accounts opened for government securities settlement at nominal value of government securities, subject of the transaction. The settlement of government securities transactions shall be deemed final after crediting the government securities settlement account of the acquirer.

(2) (amended; Darjaven Vestnik, issue 100 of 2013) Information about the status of government securities settlement accounts shall be provided to the titleholder of the accounts on a daily basis provided there is a flow on the accounts and on a monthly basis, upon request.

Article 11. (1) Subdepositories of government securities shall open and keep individual accounts of government securities reporting the government securities owned by their customers and by customers of ESROT participants that are not subdepositories. The accounts of customers of an ESROT participant shall be opened and kept on the basis of notifications by the ESROT participant to the subdepository in accordance with a contract concluded between the participant and the subdepository. The responsibility for preparing and submitting the respective notifications and the grounds thereon shall be entirely borne by the ESROT participant that is not a subdepository.

(2) Subdepositories shall segregate their own assets in government securities and those owned by the customers, and shall not be responsible to their creditors with the government securities of customers whereof they keep accounts under paragraph 1.

Article 12. (1) (amended; Darjaven Vestnik, issue 100 of 2013) Government securities settlement accounts under Article 8 kept on behalf of the participants in the settlement shall be closed upon a request in writing received from the titleholder of the accounts (Appendix 2). The said accounts shall be closed within two days after receipt of the request, and the titleholder shall be notified thereof.

(2) (amended; Darjaven Vestnik, issue 100 of 2013) The government securities settlement accounts opened for an issue of government

securities under the procedure of Article 8 shall be closed ex officio by the BNB upon maturity of this issue.

Chapter Three

Settlement of Government Securities upon Their Initial Thereon, and Repurchase or Replacement

Acquisition, Redemption of Government Securities and Interest

Article 13. (amended; Darjaven Vestnik, issue 100 of 2013) Upon acquisition of government securities in the primary market under Chapter Two of BNB Ordinance No. 5 of 2007, the Bulgarian National Bank shall effect the settlement by debiting the cash settlement accounts in RINGS, respectively in TARGET2, specified by the ESROT participants, with the total value of government securities acquired by them and their customers, crediting the issuer's account with the BNB and concurrently recording the nominal values of government securities acquired by ESROT participants on their government securities settlement accounts and on the government securities settlement accounts reporting the total amount of government securities acquired by their customers.

Article 14. (amended; Darjaven Vestnik, issue 100 of 2013) Upon redemption of government securities on maturity and/or the interest thereon under Article 35 of Ordinance No. 5 of 2007, the BNB shall debit the issuer's account with the BNB, credit the cash settlement accounts specified by the participants with the amounts due for redemption of government securities owned by them and their customers, and write off the nominal value of matured government securities from the government securities settlement accounts of the participants and of their customers.

Article 15. (1) Upon repurchase of government securities prior to maturity by means of redemption under Chapter Six of Ordinance No. 5 of 2007, the BNB shall effect the settlement under the provisions of Article 14.

(2) (amended; Darjaven Vestnik, issue 100 of 2013) Upon repurchase of government securities prior to maturity by means of replacement/replacement subscriptions for government securities under Chapter Six and Chapter Seven of Ordinance No. 5 of 2007, the

BNB shall effect the settlement by writing off the government securities of the relevant issue from the government securities settlement accounts of the participants and recording on their accounts the government securities of the new issue at their nominal value.

Chapter Four

Settlement of Government Securities in the Secondary Market

Article 16. The Bulgarian National Bank shall effect settlement of government securities transactions in the secondary market as defined in Article 16 of Ordinance No. 5 of 2007.

Article 17. Settlement on participants' accounts in the event of government securities transactions concluded under Section I of Chapter Three of Ordinance No. 5 of 2007 shall be effected under the following procedure:

1. (amended; Darjaven Vestnik, issue 100 of 2013) in transactions with a flow of funds, the acquirer's cash settlement account shall be debited and the transferor's cash settlement account shall be credited with the amount specified in the transaction request; concurrently, the transferor's government securities settlement account shall be debited and the acquirer's government securities settlement account shall be credited with the nominal value of the government securities, subject of the transaction;

2. (amended; Darjaven Vestnik, issue 100 of 2013) in transactions without a flow of funds, the transferor's government securities settlement account shall be debited and the acquirer's government securities settlement account shall be credited with the nominal value of the government securities, subject of the transaction.

Article 18. (amended; Darjaven Vestnik, issue 100 of 2013) Settlement on the accounts of the participants and their customers in the event of government securities transactions concluded under Section II of Chapter Three of Ordinance No. 5 of 2007 shall be effected by debiting the transferor's government securities settlement account and by crediting the acquirer's government securities

settlement account with the nominal value of the government securities, subject of the transaction.

Article 19. (amended; Darjaven Vestnik, issue 100 of 2013) The Bulgarian National Bank shall effect settlement of government securities transactions under Chapter Four of Ordinance No. 5 of 2007 by debiting/crediting government securities settlement accounts owned by ESROT participants, and by crediting/debiting encumbered government securities settlement accounts at nominal value.

Chapter Five

Exclusion of a Participant from the Settlement of Government Securities

Article 20. No requests/notifications shall be processed and no settlement of government securities transactions shall be effected where participation in ESROT is discontinued under the provisions of Article 6, paragraph 1 of Ordinance No. 5 of 2007.

Article 21. Settlement on accounts reporting the total amount of government securities owned by customers of a participant, whereon a measure under Article 20 has been enforced, shall be effected in compliance with Article 36, paragraph 2 of Ordinance No. 5 of 2007.

Article 22. Revocation of the license of a GSSS participant and initiation of bankruptcy proceedings against another participant in the system shall not affect the obligation of the system to process and effect settlement of the orders for registering a transfer submitted by the said participant, as well as the validity and controversy over third parties of such orders if they have been accepted by the system in compliance with its rules.

Chapter Six

Correction of Errors

Article 23. (1) Upon establishing wrong entries in ESROT, the BNB shall conduct an immediate check under the procedure of Ordinance No. 15 of 2007.

(2) If it is established during the examination that the wrong entry in ESROT has been made by the BNB, it shall perform ex officio

correcting operations with a current value date and notify the participant/participants thereof.

(3) If it is established during the examination that the wrong entry in ESROT is a result from an effected request/notification as sent by ESROT participants according to the procedure under Ordinance No. 5 of 2007, the BNB shall perform correcting operations with a current value date based on the request/notification received from the participants under Chapter Three and Chapter Four of Ordinance No. 5 of 2007.

Article 24. The Bulgarian National Bank shall not be responsible for damages related to registration and settlement of government securities transactions resulting from incomplete, incorrect and inaccurate information submitted by the ESROT participants.

Additional Provision

§ 1. Within the meaning of this Ordinance:

1. (amended; Darjaven Vestnik, issue 100 of 2013) ‘government securities settlement account’ shall be an account with the central bank or a settlement agent, used to keep government securities and to settle transactions between participants in the system;

2. (amended; Darjaven Vestnik, issue 100 of 2013) ‘cash settlement account’ shall be an account with the central bank or a settlement agent, used to keep cash and to settle transactions between participants in the system. Cash settlement accounts may be in levs in RINGS and in euro in TARGET2;

3. (amended; Darjaven Vestnik, issue 100 of 2013) ‘request/notification of a transaction’ shall be a participant’s order in government securities settlement transmitted electronically to the BNB to transfer government securities to a particular settlement account in the GSSS with or without a flow of funds on cash settlement accounts;

4. (amended; Darjaven Vestnik, issue 100 of 2013) ‘transferor’ shall be a person transferring government securities from his government securities settlement accounts;

5. (amended; Darjaven Vestnik, issue 100 of 2013) ‘acquirer’ shall be a person acquiring government securities on his government securities settlement accounts;

6. ‘confirmation of a transaction’ shall be the accounting document for settlement of a transaction sent to the participants.

Transitional and Final Provisions

§ 2. This Ordinance is issued on the grounds of Article 36, paragraph 3 of the Law on the Government Debt and is adopted by Resolution No. 113 of 4 October 2007 of the Governing Council of the BNB, and shall enter into force as of 1 November 2007.

§ 3. This Ordinance repeals Ordinance No. 31 on Government Securities Settlement (Darjaven Vestnik, issue 70 of 2003).

До Българска народна банка, Управление "Фискални услуги"	Наименование на участника
ИСКАНЕ за откриване на сметки за сепълмент на ДЦК	
Открийте на – (наименование на участника, в полза на който се откриват сметките)	
Седалище и адрес	Адрес за кореспонденция
Сметки за сепълмент на ДЦК по чл. 8 от Наредба № 31 от 2007 г.	Водят се в СДЦК
Със сметките могат да се разпореждат – (трите имена и длъжността на лицата, които представляват участника и могат да се разпореждат със сметките, както и на упълномощените от тях други лица да подписват документи за извършване на сделки с ДЦК):	
Известни са ни и имат задължителна сила за нас условията по Наредба № 31 от 2007 г., Наредба № 5 от 2007 г. и Наредба № 15 от 2007 г., както и други приложими норми, свързани с пазара на ДЦК.	
Декларираме, че са ни известни условията, при които БНБ открива, води и закрива служебно сметките за ДЦК.	
Задължаваме се при промяна на лицата, упълномощени да се разпореждат със сметките, своевременно да ви уведоим и ви представим нужните документи.	
Известно ни е, че за неверни данни подписалите това искане носят наказателна отговорност.	
Място и дата на подаване	Подписи на лицата, които имат право да представляват участника

Appendix No. 2
to Article 12, para 1
(amended; Darjaven Vestnik, issue 100 of 2013)

До БНБ – У-ние „Фискални услуги“ _____	
Име на титуляря на сметки за сепълмент на ДЦК _____	
Адрес _____	Адрес _____
ИСКАНЕ ЗА ЗАКРИВАНЕ НА СМЕТКИ ЗА СЕПЪЛМЕНТ НА ДЦК	
Закрийте сметки за сепълмент на ДЦК по чл. 8 от Наредбата на БНБ за сепълмент на ДЦК, открити на наше име в СДЦК.	
Място на подаване	Подписи на лицата, които имат право да представляват участника
Дата	