



REPUBLIC OF BULGARIA
MINISTRY OF FINANCE

MINISTRY OF FINANCE ISSUANCE POLICY DURING 2008

The Issuance Policy of the Ministry of Finance during 2008 will be consistent with the priorities, laid down in the draft of the State Budget Law of the Republic of Bulgaria for 2008, focused on the implementation of an anti-cyclical and restrictive fiscal policy, aimed at maintaining financial stability and a budget surplus for decreasing domestic demand as a measure for reducing external trade and current account deficits. The Issuance Policy will be also coherent with the objectives laid down in the Debt Management Strategy for the period 2006-2008. Among the main indicators, the development of which will determine the parameters of the issuance policy in 2008 are: budget balance, private and public gross external debt, current account of the balance of payments, level of the fiscal reserve, liquidity in the banking system and others.

The harmonization process of the Bulgarian legislation in the field of markets in financial instruments and securities with the European regulations' requirements imposed essential changes in the laws and ordinances, regulating the primary and secondary market of Government securities. As of November 1, 2007 in force are new Ordinance No. 5 on the Procedure and Terms for Acquisition, Registration, Redemption and Trade in Government Securities, Ordinance No. 15 on the Control over Transactions in Government Securities, Ordinance No.31 on Government Securities Settlement and a new Criteria for Selection of Government Securities Primary Dealers. These changes introduce a "single passport" in the Government securities market and create real conditions for the participation of investment intermediaries from other member states in the Bulgarian market.

Taking into account the macroeconomic situation in the country and the implemented legal amendments, the Ministry of Finance intends to keep in line with the principles of the issuance policy, carried out in the past several years. The issuance policy will be aimed at offering Government Securities issues mainly on the domestic market, taking into consideration the outlined tendencies on the EU debt markets towards offering more liquid and standardized issues. The government securities issues offered in 2008 will be BGN denominated and with priority to middle and long term maturity in order to stimulate the liquidity of the market and to broaden the investors' base. In the middle and long term part of the yield curve it is planned to offer 3-year, 5-year and 10-year bond issues in volumes of up to BGN 250 million with fixed coupons, which will be opened frequently throughout the year. As regards to short term instruments, the Ministry of Finance will continue to offer 3-month Treasury bills in a total volume of up to BGN 45 million. The newly issued gross domestic debt in 2008 is planned to amount up to BGN 800 million.

The Ministry of Finance will maintain the practice to announce the monthly issue calendar 30 days before the beginning of each month.

The issuance policy of the Ministry of Finance during 2008 will remain flexible and adequate to the requirements of the State budget. The Ministry of Finance reserves its right to modify its pre-announced issuance policy depending on the macroeconomic development of the country and the tendencies in the international financial markets.