

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; amended, issue 22 of 2022; amended; 76 of 2023,
effective as of 11 September 2023)

Chapter One

General Provisions

Article 1. This Ordinance shall provide for the settlement of transactions in book-entry 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; amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) Cash transfer on government securities transactions shall be effected through the Real-time INterbank Gross-settlement System (RINGS) and the TARGET2-Securities (T2S) platform.

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.

* Unofficial translation provided for information purposes only. The Bulgarian National Bank bears no responsibility whatsoever as to the accuracy of the translation and is not bound by its contents.

(3) 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; amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) In its capacity as a settlement agent, the BNB shall *ex officio* settle transactions in government securities in the primary and secondary markets on the cash settlement accounts of participants in RINGS and on TARGET2-Securities dedicated cash accounts in TARGET (T2S DCA), and on government securities settlement accounts kept in the GSSS system and in the TARGET2-Securities platform.

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; amended; Darjaven Vestnik; issue 76 of 2023, effective as of 11 September 2023) Settlement of government securities transactions shall be effected in accordance with the system day schedule.

(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; amended; Darjaven Vestnik; issue 76 of 2023, effective as of 11 September 2023) The Bulgarian National Bank shall open and keep government securities settlement accounts in the GSSS and the TARGET2-Securities platform, 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:

1. (former letter 'a'; amended; Darjaven Vestnik; issue 76 of 2023, effective as of 11 September 2023) establishing a pledge under the Law on Registered Pledges;
2. (former letter 'b'; amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) collateralizing funds on accounts and deposits of budget organizations with banks;
3. (former letter 'c'; amended; Darjaven Vestnik; issue 76 of 2023, effective as of 11 September 2023) 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; amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) The settlement of government securities transactions effected in the primary and secondary markets shall be recorded on the accounts opened for government securities at the nominal value of government securities, subject of the transaction. The settlement of government securities transactions shall be final once the acquirer's government securities settlement account in the GSSS system for euro-denominated government securities and the acquirer's government securities settlement account in the TARGET2-Securities platform for euro-denominated government securities are credited.

(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 Acquisition, Redemption of Government Securities and Interest Thereon, and Repurchase or Replacement

Article 13. (amended; Darjaven Vestnik; issue 100 of 2013; amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) Upon acquisition of government securities in the primary market under Chapter Two of Ordinance No 5 of 2007, the Bulgarian National Bank shall effect the settlement by debiting the cash settlement accounts in RINGS and the TARGET2-Securities dedicated cash accounts in TARGET, 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 the participants on their government securities settlement accounts and on the government securities settlement accounts recording 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 Four 'A'

Settlement Fails of Government Securities in the Secondary Market

(new; Darjaven Vestnik, issue 22 of 2022)

Article 19a. (new; Darjaven Vestnik, issue 22 of 2022; amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) In the event that settlement fails to take place on the intended settlement date due to lack of government securities or cash, the BNB shall re-initiate government securities settlement instructions on a daily basis within four business days for government securities denominated in levs and in line with the rules of the TARGET2-Securities platform for government securities denominated in euro.

Article 19b. (new; Darjaven Vestnik, issue 22 of 2022) (1) (amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) Article 19a shall not apply in the case of government securities transactions under Article 16, paragraph 1, items 2 and 3 of Ordinance No 5 of 2007, if the value date of the repo transaction and the value date of loan maturity is on a date that is earlier than the dates specified in Article 19a.

(2) (amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) ESROT participants may bilaterally cancel already matched settlement instructions that form part of the same transaction and whose settlement failed within the periods specified in Article 19a.

Article 19c. (new; Darjaven Vestnik, issue 22 of 2022) (1) The BNB shall charge a penalty interest for each failed settlement instruction to the participant that caused the settlement fail.

(2) (amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) The penalty interest under paragraph 1 shall be charged and withheld at the end of each business day where a settlement instruction fails to settle in the periods specified in Article 19a.

(3) The penalty interest shall be collected ex officio by the BNB and shall be transferred to the participant affected by the settlement fail.

(4) The penalty interest under paragraph 1 shall be calculated as follows:

1. (amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) where the settlement fails due to lack of government securities: 0.10 basis points of the market value of the government securities underlying the transaction for the periods specified in Article 19a.

2. (amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) where the settlement fails due to lack of cash: the amount of the BNB base interest rate plus the difference between the interest rate under the ECB marginal lending facility and the interest rate under the ECB main refinancing operations on the market value of the government securities subject to the transaction for the periods specified in Article 19a.

(5) Where a market value is not available on a regulated market or on a multilateral trading facility for the respective government securities issue or is below the nominal value of government securities, the nominal value of government securities shall be used for the calculation of the penalty interest referred to in paragraph 4.

Article 19d. (new; Darjaven Vestnik, issue 22 of 2022) The Bulgarian National Bank shall publish on its website on an annual basis settlement fails data according to Annex III of Commission Delegated Regulation (EU) 2018/1229 of 25 May 2018 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the

Council with regard to regulatory technical standards on settlement discipline, and shall report them to the Ministry of Finance.

Chapter Five

Exclusion of a Participant from the Settlement of Government Securities

Article 20. (amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) 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 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) (amended; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) upon establishing wrong entries in ESROT, the BNB shall conduct an immediate check under the procedure of Ordinance No 15 of 4 October 2007 on the Control over Transactions in Government Securities (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 settle-

ment 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; amended Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) 'cash settlement account' shall be an account with the central bank or with a settlement agent used to hold cash and to settle transactions between participants in the system. Cash settlement accounts may be in levs in RINGS and in euro in TARGET.

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.

7. (new; Darjaven Vestnik, issue 22 of 2022) 'settlement fail' shall be the non-occurrence of settlement of a government securities transaction on the intended settlement date, due to a lack of government securities or cash and regardless of the underlying cause.

8. (new; Darjaven Vestnik, issue 22 of 2022) 'intended settlement date' shall be the date on which the parties to a transaction agree that settlement is to take place.

9. (new; Darjaven Vestnik, issue 22 of 2022) 'market value' shall be the market value as defined in Article 7(b) of Commission Delegated Regulation (EU) No 909/2014 of the European Parliament and of the Council as regards the parameters for the calculation of cash penalties for settlement fails and the operations of CSDs in host Member States.

10. (new; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) 'TARGET' shall be a new generation Trans-European Automated Real-time Gross settlement Express Transfer system.

11. (new; Darjaven Vestnik, issue 76 of 2023, effective as of 11 September 2023) 'TARGET2–Securities dedicated cash account (T2S DCA)' shall be a cash payment account in relation to government securities settlement opened in a TARGET system component.

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).

(amended; Darjaven Vestnik, issue 100 of 2013)
 amended; Darjaven Vestnik, issue 76 of 2023,
 effective as of 11 September 2023)

To Bulgarian National Bank Fiscal Services Directorate	Name of the participant
REQUEST for the opening of government securities settlement accounts	
Please open an account on – (name of the participant for whose benefit the accounts are opened)	
Headquarters and address	Correspondence address
Government securities settlement accounts under Article 8 of Ordinance No 31 of 2007	Maintained in the GSSS and TARGET2-Securities
The accounts may be disposed of by - (the full names and titles of the persons who represent the participant and may dispose of the accounts, as well as of other persons authorised by them to sign documents for transactions with government securities):	
We are aware of and are bound by the terms of Regulation No 31 of 2007, Regulation No 5 of 2007 and Regulation No 15 of 2007 and other applicable regulations relating to the government securities market.	
We declare that we are aware of the conditions under which the BNB <i>ex officio</i> opens, maintains and closes the government securities accounts.	
We undertake to promptly notify you and provide you with the necessary documents in the event of a change in the persons authorized to dispose of the accounts.	
We are aware that the signatories of this request are criminally liable for false information.	
Place and date of submission	Signatures of the persons entitled to represent the participant

Appendix No 2
to Article 12, para 1
(amended; Darjaven Vestnik, issue 100 of 2013;
amended; Darjaven Vestnik, issue 76 of 2023,
effective as of 11 September 2023)

To BNB – Fiscal Services Directorate _____

Name of the holder of the government securities settle-
ment accounts

Address: _____ Address: _____

**REQUEST FOR CLOSURE OF GOVERNMENT SECURITIES SETTLEMENT
ACCOUNTS**

Please close the government securities settlement accounts opened in the GSSS in our name
under Article 8 of the BNB Ordinance on Government Securities Settlement.

Place of submission

Signatures of the persons entitled
to represent the participant

Date

**Ordinance on Amendment of Ordinance No 31
of 2007 on Government Securities Settlement**

(published; Darjaven Vestnik, issue 100 of 2013)

.....

Final Provisions

§ 18. 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 87 of 31 October 2013 of the Governing Council of the BNB.

§ 19. In Appendices No 1 and 2, the words 'government securities accounts' shall be replaced by 'government securities settlement accounts'.

**Ordinance on Amendment of Ordinance No 31
of 4 October 2007 on Government Securities Settlement**

(published in the Darjaven Vestnik, issue 22 of 18 March 2022)

.....

Final Provision

§ 3. 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 73 of 8 March 2022 of the Governing Council of the BNB, and shall enter into force on the day of its publication in the Darjaven Vestnik.

**Ordinance on Amendment of Ordinance No 31 of 2007
on Government Securities Settlement**
(published; Darjaven Vestnik, issue 76 of 5 September 2023,
effective as of 11 September 2023)

.....

Final Provision

§ 15. 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 372 of 24 August 2023 of the Governing Council of the BNB, and shall enter into force as of 11 September 2023.