

## CONTRACT

### FOR PRIMARY DEALER OF GOVERNMENT SECURITIES

Today, on ....., in the city of Sofia by and between

**THE MINISTRY OF FINANCE**, having its address at No.102, G. S. Rakovski Str., Sofia, post code 1040, represented by ..... -Minister of Finance, on the one hand, and

..... **AD/EAD**, with headquarters and registered office at city of ....., District of ....., Municipality of ..... - region ....., Street/Blvd. ...., entered in the Commercial Register with the UIC ....., represented by ....., hereinafter referred to as "Primary Dealer", on the other hand,

this Contract for the Primary Dealer of Government Securities issued on the local market (government securities /GS/) was concluded.

#### *I. Subject of the Contract*

**Art. 1.** The Ministry of Finance sells, and the Primary Dealer accepts to acquire, government securities on the primary market, by participating in government securities auctions organized by the BNB with orders, both on its behalf and at its own expense, and on its behalf but at the expense of its customers within the terms of the Ordinance No. 5 as of 2007 on the Terms and Procedures for Acquisition, Registration, Redemption and Trade in Government Securities (the Ordinance No. 5) and this Contract.

#### *II. Rights of the Primary Dealer*

**Art. 2.** The Primary Dealer shall be entitled to:

(1) To participate on the primary market of government securities by submitting the types of orders established by the Regulation No. 5 for the purchase of government securities, both on its own behalf and for its own account, and on behalf of its customers at the auctions for the sale of government securities organized by the BNB, subject to the requirements of the Ordinance No. 5.

(2) To take part at the call of the Ministry of Finance in transactions and operations carried out in connection with the management and restructuring of the government debt, as

well as in operations carried out by the Ministry of Finance on the secondary market of government securities.

(3) To participate as a lead or co-lead manager in syndicated transactions, pursuant to the ranking of the activity of the Primary Dealer according to the instructions and based on the methodology issued by the Minister of Finance, and published on the website of the Ministry of Finance.

### **III. Obligations of Primary Dealer**

**Art. 3.** The Primary Dealer should:

(1) To participate systematically in the held auctions for the government securities sale, as a systematically non-participating primary dealer shall be considered to be those who has not participated in two consecutive auctions.

(2) To submit orders for the purchase of government securities from the relevant issue on its own behalf and at its own account with the announced quantity and corresponding price/yield. Submitted requests for quantity and price/yield should be tailored to its capabilities and needs, and at the same time to mediate the efficient placement of government securities, to correspond to the market conditions of the local and global debt markets, as well as to ensure good liquidity and transparency on the secondary market.

(3) To submit orders for the purchase of government securities from the relevant issue at the account of its customers.

(4) During dealing with its customers, to perform its duties with the care of a good trader by applying the established good commercial practices in the field of securities trading.

(5) Upon request by the Ministry of Finance to provide information and data, as well as to prepare and provide reports and other information related to the fulfillment of the criteria for the selection of primary dealers of government securities, having analysis of the market of government securities, or for the purposes of statistics of the national debt.

(6) To comply with all requirements regarding the registration, servicing and settlement of government securities, determined by the BNB in its capacity as a government debt agent and depository of government securities.

(7) To participate in the organized by the BNB auctions for the exchange and redemption of government securities carried out, in order to contribute the effective management of the government debt.

(8) To keep a good and stable financial condition and to maintain at any time during the period of primary dealership the necessary financial resources and funds for timely and accurate servicing of the obligations occurred in connection with transactions with government securities, in compliance with the presented declaration of financial condition as per Art. 7, para. 3, item 4 of the Ordinance No. 15 as of 2007 on the Control over Transactions in Government Securities (the Ordinance No.15).

(9) To keep the documentation related to the conducted auctions for a period of five years, starting from the maturity date of the relevant issue, unless a longer period is provided for in a regulatory act.

(10) To dispose at any time qualified personnel with the necessary knowledge and experience to work with government securities, in accordance with the requirements of Art. 4, para. 4 of the Ordinance No.15.

(11) To publish on its website and promptly update the unified tariff for fees and commissions in connection with the operations and services performed with government securities.

(12) To comply with the Rules for the admission to trade of government securities of the multilateral trading system E-Bond Bulgaria, operated by Bloomberg Trading Facility B.V., and the conclusion of transactions with them at the Bulgarian National Bank, approved by the Minister of Finance and the Governor of the BNB by virtue of § 9 of the Final Provisions of the Ordinance amending and supplementing the Ordinance No.5 as of 2007 on the Terms and Procedures for Acquisition, Registration, Redemption and Trade in Government Securities (promulgated SG, issue No. 29 as of 2017), which are an integral part of this contract, together with all subsequent amendments and additions to them, of which the Primary Dealer shall be expressly notified by the Ministry of Finance and which shall be sent to the former in a timely manner.

(13) To comply with the following requirements for maintaining firm quotes on the MTF - E-BOND platform:

1. Maintaining quotations, in accordance with the requirements of the Criteria for the selection of Primary Dealer (PD) of government securities, for a certain number of days within the evaluation period, but not less than 80% of the business days of the platform during the relevant period.

2. Quotation for at least 3 (three) hours, within the system day within the range from 8:30 a.m. to 4:00 p.m.

3. Quotation of 50% of the issues defined as mandatory for quotation, according to the following principle: 6 (six) issues issued most recently, in a volume of more than BGN 400 million. The replacement of the issue shall be performed as the oldest issue is replaced by a newly issued one, upon reaching the threshold of BGN 400 million, starting from the settlement day after the auction, to reach the threshold.

4. The maximum size of the spread between the "buy" and "sell" quotes may not exceed 50 basis points (b.p.), reflected in the yield.

5. The minimum volume for quotation is in the amount of BGN 500 thousand.

6. Quotes maintained on the E-BOND system are anonymous.

7. Quotations shall be valid only for transactions for the purchase or sale of government securities with an execution period of 2 (two) business days.

8. Quotations may be changed at any time, but each E-BOND participant shall be obliged to execute the transaction, at the yield/price at which it was quoted, within the volume offered, for those orders that have been confirmed before the change was made.

**Art. 4.** The managers and employees of the primary dealer shall be obliged to assist the officials of the Ministry of Finance upon performing their activities related to the on-site inspection of the primary dealer.

#### ***IV. Rights of the Ministry of Finance***

**Art. 5.** (1) The Ministry of Finance shall be entitled to control the fulfillment of the obligations of the Primary Dealer pursuant to the Contract in order to ensure a fair, efficient and transparent market of government securities and protect the interests of investors, by carrying out on-site inspections of the activities of the Primary Dealer related to the transactions performed by the latter with government securities. Inspections shall be carried out by officials of the Ministry of Finance, designated by the Minister of Finance.

(2) The inspectors shall be entitled to free access to the office premises and the documentation related to the transactions with government securities of the Primary Dealer.

(3) Upon the inspection carrying out, the inspectors shall be entitled to request additional references, information and other documents related to the type of the inspection.

(4) In the event a violation is found and upon the proposal of the inspectors, this Contract may be unilaterally terminated by the Ministry of Finance in accordance with Art. 9, para. 2.

#### ***V. Obligations of the Ministry of Finance***

**Art. 6.** The Ministry of Finance shall be obliged:

(1) to admit the Primary Dealer to the primary market of government securities under equal conditions for all market participants.

(2) to prepare and announce an issue policy and to publish on its website in advance an issue calendar of shares for sale of government securities.

(3) to publish information and data from the held auctions of government securities in a timely manner in the specified form and contents.

(4) to observe the bank and official secrecy, which became known in connection with the performed inspection or information provided by the Primary Dealer.

#### ***VI. Conditions under which the Contract for the Primary Dealer of Government Securities may be terminated unilaterally by the Ministry of Finance***

**Art. 7.** The Contract may be terminated unilaterally by the Ministry of Finance in the event the Primary Dealer:

(1) shall not fulfill obligations specified herein.

(2) shall delay in payment of the acquired government securities, for which it submitted an order on its own behalf at its own account or at the account of its customer, or shall not provide the necessary funds for this, in compliance with the settlement requirements of the BNB.

(3) shall not comply with the requirements for registration of government securities set forth by the BNB as the official depository of government securities and those established by the sub-depository of government securities selected by the Primary Dealer.

(4) shall not systematically participate in the conducted auctions.

(5) has committed a violation of a legal act regulating the acquisition, registration, trading, settlement of government securities and transactions with them, or carries out other activities related to government securities in violation of a legal act.

(6) shall not fulfill the criteria and requirements under which it was selected as a Primary Dealer.

**Art. 8.** The Contract may be terminated unilaterally by the Ministry of Finance and when it is established that the Primary Dealer acts purposefully to the issuer's detriment or other participants on the government securities market, or impedes the normal functioning, transparency and liquidity of the market.

#### ***VII. General conditions***

**Art. 9.** This Contract is indefinite and will be terminated:

(1) automatically by excluding the Primary Dealer from the list of Primary Dealers;

(2) unilaterally by the Ministry of Finance with a 7-day written notice in the cases of section VI of this Contract.

**Art. 10.** For the relations and issues between the parties not regulated by the Contract, the provisions of the current Bulgarian legislation shall apply. The disputes shall be considered by a Bulgarian court if they could not be resolved through negotiations between the parties.

**Art. 11.** The Contract may be amended and supplemented at any time by mutual agreement of the parties, expressed in writing.

**Art. 12.** The Contract is amended or replaced by a new one when changes in the Criteria for selecting Primary Dealers of government securities are available.

**Art. 13.** The Contract is concluded by virtue of Art. 8 of the Ordinance No.15.

This Contract shall become effective from the date of its signing.

The Contract is prepared in two identical copies - one for each party.

**FOR THE MINISTRY  
OF FINANCE:**

**FOR THE PRIMARY DEALER:**