



BULGARIAN NATIONAL BANK

RULES AND PROCEDURES

**FOR THE USE OF THE GOVERNMENT SECURITIES
REGISTRATION AND SETTLEMENT SYSTEM AT THE BNB - BNBGSSS**

Sofia, January 2025

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List of Abbreviations

BNB	Bulgarian National Bank
GSD	Government securities depository
GS	Government securities
ESROT	Electronic System for Registration and Servicing of Trades in Government Securities
ECB	European Central Bank
RSP	Register of Special Pledges
LPSPS	Law on Payment Services and Payment Systems
MoF	Ministry of Finance
CBIS	Core banking information system
GSSA	System of Government Securities accounts
CSD	Central securities depository
BNBGSSS	Government Securities Registration and Settlement System at the BNB
CPMI	Committee on Payments and Market Infrastructures
IOSCO	International Organisation of Securities Commissions
FoP	Free of payment (with no cash movement)
DvP	Delivery versus payment
PFoD	Payment free of Delivery (payment without delivery)
RINGS	Real Time Gross Settlement System
TARGET	new-generation Trans-European Automated Real-time Gross Settlement Express Transfer system
TARGET-BNB	The national system component of TARGET operated by the BNB
T2S	TARGET2-Securities - a Pan-European IT platform for settlement of dematerialised securities in central bank money which facilitates post-trading integration

T2S DCA T2-Securities Dedicated Cash Account in TARGET means an account used for cash payments in relation to securities settlement and opened in a system component of TARGET

1. Overview

1.1. Introduction

The Bulgarian National Bank (BNB) is the central depository and the fiscal agent of the Government under the Law on the Bulgarian National Bank and the Government Debt Law. The Bulgarian National Bank is the operator of the System for registration, servicing and settlement of trade in government securities – BNBGSSS (the System). BNBGSSS has been notified as a settlement finality system under Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems, amended by Directive 2009/44/EC of the European Parliament and of the Council of 6 May 2009 (Directive 98/26/EC). BNBGSSS consists of the Electronic System for Registration and Servicing of Trades in Government Securities (ESROT) and the System of Government Securities accounts (GSSA). ESROT has a built-in module for the Register of Special Pledges (RSP). ESROT and GSSA are connected through a direct interface for automated data exchange.

Since September 2023, BNBGSSS has been a participant in the Eurosystem's common IT platform for securities settlement in central bank money (TARGET2-Securities (T2S)).

T2S performs settlement of all transactions in EUR-denominated government securities made through BNBGSSS. The platform keeps statistical data on users, issues of government securities, participants, GS accounts, etc.

All BNBGSSS participant are connected to T2S as indirect participant; the Central Depository AD is a direct participant in T2S.

These rules and procedures for the use of BNBGSSS are intended for the System participants, the MoF and the BNB.

1.2. Subject matter of the rules

These rules and procedures establish the way in which trades and transactions in government securities are registered, serviced and settled in BNBGSSS.

1.3. Grounds for the drawing up and the issuance of this document

These rules and procedures are issued pursuant to Regulation (EU) No 909/2014 of the European Parliament and of the Council 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. These rules and procedures have been drawn up in accordance with the requirements of:

- the Law on the Bulgarian National Bank;
- the Government Debt Law;
- Ordinance No 5 of the MoF and the BNB on the Procedure and Terms for Acquisition, Registration, Redemption and Trade in Government Securities (Ordinance No 5);
- BNB Ordinance No 15 on the Control over Transactions in Government Securities (Ordinance No 15);
- BNB Ordinance No 31 on Government Securities Settlement (Ordinance No 31).

1.4. Adoption and amendments

These rules are approved, amended and adopted by the Deputy Governor in charge of the Banking Department of the BNB. The Bulgarian National Bank notifies the BNBGSSS participants of any changes made to the rules at least fourteen calendar days before the changes come into effect.

1.5. Definitions

For the purposes of these rules and procedures:

1.5.1. **Bank** means:

- a bank licensed by the BNB to conduct banking activity;
- a branch of a bank established in a third country, licensed by the BNB under the Law on Credit Institutions;

- a branch of a bank established in a Member State, operating in the territory of the Republic of Bulgaria under Articles 20 and 21 of the Law on Credit Institutions.

1.5.2. **Business identifier code (BIC)** means a code issued by SWIFT (Society for Worldwide Interbank Financial Telecommunication) to financial and non-financial institutions under ISO Standard No 9362.

1.5.3. **Future value date** – the successfully input-checked notifications of/requests for registration of GS transactions, sent by the participants, are stored in BNBGSSS until the value date of their execution.

1.5.4. **Value date** means the date on which settlement of government securities takes place.

1.5.5. **Investment intermediary** – according to the Law on Markets in Financial Instruments, an investment intermediary means an entity which provides one or more types of investment services and/or performs one or more types of investment activities.

1.5.6. **Request for a transaction** means a request in a pre-determined format sent to BNBGSSS, by which a counterparty to a GS transaction is registered.

1.5.7. **Moment of entry** – a successful input check of requests for transactions in BGN- denominated government securities in accordance with the System's technical requirements. The moment of entry for EUR-denominated government securities is after successful completion of the validation process according to the T2S validation criteria, regardless of whether the validation is carried out in BNBGSSS (indirect T2S participants) or T2S (direct T2S participants). In cases where requests are subject to T2S matching, settlement instructions are considered to be entered at the moment when they become compliant with the T2S technical rules on the T2S platform. In cases where the transaction request is sent to BNBGSSS for pre-matching, the moment of entry is considered to be the moment when the request passes the verification in BNBGSSS according to the T2S validation criteria. From the moment of entry, the instruction is effective against third parties.

1.5.8. **Moment of irrevocability of a GS transaction** – when there is a complete match of the data in the transaction requests from both participants, according to the technical requirements of BNBGSSS and T2S, i.e. the transaction has received the status "matched" in BNBGSSS for BGN-denominated government securities or in T2S for EUR-denominated government securities. From the moment of irrevocability of the transaction, it cannot be cancelled unilaterally.

1.5.9. **Moment of finality** means the moment at which the settlement of GS transactions is final, after the acquirer's GSSA securities account for BGN-denominated government securities and the acquirer's T2S securities account for EUR-denominated government securities have been credited.

1.5.10. **Failed settlement** means a failure to settle a GS transaction on the agreed settlement date for lack of government securities or cash, whatever the reason for that lack may be.

1.5.11. **Operational risk** means the risk of a breakdown of some information, technical or communications equipment or of human errors, which creates circumstances that are critical to settlement.

1.5.12. **GS sub-depository** – GS sub-depositories can be credit institutions under the Law on Credit Institutions, whose licence includes the activities referred to in Article 2, paragraph 2, items 4 and 9 of the Law on Credit Institutions, as well as institutions authorised to act as a central depository in the relevant Member State.

1.5.13. **GS primary dealer** - GS primary dealers can be banks whose licence includes the services and activities defined in the Law on Credit Institutions, including those from other Member States; investment intermediaries licensed to carry out investment services and activities under the Law on Markets in Financial Instruments, including those from other Member States. The MoF chooses the primary dealers, applying selection criteria which are approved by the Minister of Finance.

1.5.14. **Transferor** means a person transferring government securities from its securities accounts.

1.5.15. **Acquirer** means a person acquiring government securities on its securities accounts

1.5.16. **Settlement of GS transactions** means the transfer of government securities with or without a concurrent transfer of funds based on a request for/notification of a transaction sent via BNBGSSS.

1.5.17. **System day** means a pre-determined time interval during which requests for GS settlement are received and processed in BNBGSSS.

1.5.18. **Securities account** means an account with the central bank or a settlement agent, which is used for keeping government securities or for settling GS transactions between System participants.

1.5.19. **Cash account in BGN** means an account with a RINGS participant or a settlement agent, which is used for cash payments in relation to settlement of transactions in government securities denominated and payable in BGN, including for the BNB's ex officio collection of due fees and commissions in accordance with the Tariff of fees and commissions for processing transactions in government securities.

1.5.20. **RINGS** means the Real Time Gross Settlement System for payments in BGN.

1.5.21. **TARGET** means the new-generation Trans-European Automated Real-time Gross Settlement Express Transfer system.

1.5.22. **T2S** means the TARGET2-Securities Pan-European IT platform for settling dematerialised securities in central bank money, which facilitates post-trading integration.

1.5.23. **T2S DCA** means a T2-Securities Dedicated Cash Account held by a participant or a settlement agent in TARGET and used for cash payments in relation to settlement of transactions in government securities denominated and payable in EUR in the T2S platform.

2. Main types of services and core principles of BNBGSSS operation

2.1. Services provided by BNBGSSS

2.1.1. Main types of services:

2.1.1.1. initial registration in the dematerialised GS system (registration services);

2.1.1.2. opening and maintaining GS accounts at the highest level (central maintenance services);

2.1.1.3. managing a GS settlement system (settlement services).

2.1.2. Non-banking-type ancillary services.

Non-banking-type ancillary services, provided by BNBGSSS, which give rise to no credit or liquidity risks:

2.1.2.1. settlement services – matching settlement instructions, transmitting instructions, confirming transactions, checking transactions;

2.1.2.2. registration services and central maintenance services:

- executing corporate actions;
- registering new issues of government securities;
- transmitting and processing instructions, collecting and processing fees, and the related reporting;

2.1.2.3. establishing connections to central depositories, keeping and managing GS accounts relating to settlement services and collateral registration;

2.1.2.4. other services:

- reports produced under regulatory requirements;
- information provided to other directorates at the BNB, to the MoF and international credit rating agencies.

BNBGSSS does not provide any banking-type ancillary services.

2.2. Service Level

In order to ensure the smooth, secure and efficient performance of the services provided by BNBGSSS, Appendix No. 9 "Service Level" defines the level of service that BNBGSSS provides to its participants, as well as the key indicators related to its determination.

2.3. Core principles of BNBGSSS operation

- provides automated end-to-end processing - Straight-through Processing (STP);
- conducts ‘trade by trade’ processing in real time (DVP – Model 1), with a settlement cycle in the secondary OTC market T+0, in the regulated market operated by the Bulgarian Stock Exchange AD - T+2, and from T+0 to T+2 on the E-Bond Bulgaria multilateral trading facility;
- operates on the double notification principle, i.e. one request for/notification of a transaction from each counterparty;
- uses SWIFT under the international standard ISO 15022, and a web-interface (based on a VPN environment) with a qualified electronic signature (QES), as equivalent communication facilities;
- uses the International Securities Identification Numbering system (ISIN code);
- enables the participants, at each stage of the processing, to monitor in real time the status of their requests for/notifications of GS transactions;
- automatically calculates the principal and interest amounts due by the issuer by issues of government securities, in total and by participants, using the maintained database and the incorporated interest rate conventions, in accordance with the conditions of each issue;
- automatically generates aggregated and detailed information on the government securities market for the needs of the System participants, the issuer, the ECB’s statistics, etc., using the statistical module set up in the System;
- notifies the System participants of any circumstances relating to corporate actions, such as principal and interest payments due on maturing government securities, and of the completed settlement of these payments.

3. Participation in BNBGSSS

3.1. Participants in BNBGSSS can be:

- GS primary dealers;
- GS sub-depositories;
- investment intermediaries which are not primary dealers and whose licence includes the services and activities referred to in Article 5, paragraph 2, items 1, 2 and 3 of the Law on Markets in Financial Instruments, including those from other Member States;
- banks which are not primary dealers or GS sub-depositories, and whose licence includes the services and activities referred to in Article 2, paragraph 2, items 8 and 9 of the Law on Credit Institutions, including those from other Member States;
- central securities depositories from Member States;
- the Bulgarian National Bank and other members of the European System of Central Banks;
- the Ministry of Finance;
- other entities approved by the Minister of Finance and the BNB Governor, which fall within the scope of the participants in settlement finality systems, as defined in Directive 98/26/EC and included in art. 130 of the Law on Payment Services and Payment Systems.

3.2. Conditions for participation in BNBGSSS

Every BNBGSSS participant must meet the requirements of Ordinance No 5 and of these rules and procedures, subject to the following conditions:

3.2.1. Any participant must hold a licence issued by the relevant competent authority. No licence is required from the BNB, the MoF, and the entities approved by the Minister of Finance and the BNB Governor.

3.2.2. Any participant must have a cash account in RINGS and a T2S DCA account in in TARGET or must specify a bank's cash account in RINGS and T2S DCA account in TARGET, which will be used for cash settlement of its GS transactions on the basis of an agreements signed with that bank.

3.2.3. Any participant must have available technical communication facilities for sending requests for and notifications of GS transactions in the secondary market, and for receiving notifications and confirmations from the BNB. The technical communication facilities are SWIFT and a web-based interface of BNBGSSS, using QES. Other technical devices may also be used, but only after the Ministry of Finance and the BNB have notified the participants that they are ready to implement them.

3.2.4. Any participant must also invariably meet the following criteria: must have sufficient funds available; must have an adequate operational and technical capacity; must meet all the requirements for legal capacity; must have in place an appropriate internal control and risk management mechanisms.

3.3. Documents for applying for participation in BNBGSSS.

Any applicant must submit to the BNB, the Fiscal Services Directorate, a written sample application form for participation in BNBGSSS (Appendix No 1 to Ordinance No 5), signed by the persons authorised to represent the institution.

Any applicant must attach to its application the following documents:

3.3.1. a unified identification code (UIC) or an excerpt from the trade register, issued not more than one month before the date on which the application is submitted. Any applicant for participation in BNBGSSS that is established in another Member State or in a third country must attach a document equivalent to an excerpt from the trade register, issued by a judicial or administrative authority of the country in which the applicant is based. If the applicant's national jurisdiction does not issue such a document, the applicant must attach another document attesting its status. The Bulgarian National Bank and the MoF are not required to provide such a document;

3.3.2. notarised specimen signatures of the persons authorised to represent the institution;

3.3.3. a copy of the licence for a bank/investment intermediary;

3.3.4. an application for opening a securities account in GSSA and in the TARGER2-Securities platform (Appendix No 1 to Ordinance No 31);

3.3.5. the participant's business identifier code (BIC) which will be used for communications with BNBGSSS, and details of the QES certificates of the users authorised by the participant to connect through the web-based interface of BNBGSSS;

3.3.6. a list of the participant's contact persons in case of emergency relating to the participant's GS transactions;

3.3.7. If an applicant for participation in BNBGSSS is a central securities depository, in accordance with the provisions of Ordinance No 5:

(a) for a preliminary assessment of the compliance of the documents submitted by the depository with the applicable legislation and the Principles for financial market infrastructures adopted by CPMI and IOSCO, the applicant must complete a questionnaire that will be the basis for assessing the legal, operational and financial risks relating to the expected activities of the applicant as a depository;

(b) for facilitating its direct participation in BNBGSSS, any applicant may specify a local GS sub-depository that will act as a technical operator of their connection with the System, on behalf and for the account of the participant, conducting all communications with BNBGSSS based on an agreement signed between them;

(c) any technical operator performs the following functions:

- on behalf and for the account of the CSD, it submits the requests for and notifications of GS transactions in the required time period, format and structure;
- it immediately notifies, on behalf of the CSD, the BNB of any incorrect records in BNBGSSS;
- it immediately notifies the BNB of any changes in the circumstances related with the CSD's participation, as described in the application for getting connected to the System and its appendices;

3.3.8. if an applicant for participation in BNBGSSS represents a third party established outside the European Union, then the applicant must submit an application and documents equivalent to those described in points 3.3.1 through 3.3.7. The applicant representing a third party established outside the European

Union must describe the features of the jurisdiction where it is established as a legal entity so as to ensure enforceability of the participation agreement and of these rules, by providing information and/or documents which contain data that:

- the law of the relevant country is compliant with, and in no way affects, the participant's obligations arising from the documents of the System;
- all provisions of the System's documents are binding and enforceable according to the law of the relevant country;
- the obligations arising from the documents of the System, their performance or compliance with prior to the initiation of insolvency proceedings or other proceedings against the participant, may not be abolished in such proceedings on the grounds of voidability or unenforceability of transactions or of some other grounds under the law of the relevant country;
- in case of insolvency proceedings or other proceedings against the participant, the rights or assets transferred as security or pledge in favour of the BNB or other System participants, will have priority over the claims of all other creditors of the participant, and the other creditors may not be satisfied from them with priority.

3.4. Procedure and conditions for connecting a participant to BNBGSSS:

Any participant may be granted access to the System only after the approval of the BNBGSSS Participation Commission appointed under Ordinance No 5.

3.4.1. Working procedures of the BNBGSSS Participation Commission (the Commission).

3.4.1.1. When an applicant has submitted its written application for participation in BNBGSSS, the Commission thoroughly examines the documents provided by the applicant and notifies its decision to the applicant.

3.4.1.2. If the provided documents are incomplete or inaccurate, the Commission prepares a written reply to the applicant and demands new or additional information.

3.4.1.3. If the documents provided by an applicant are complete and correct, the Commission sends its reply to the applicant within three months as of receipt of all the required documents.

3.4.2. Tests for connection to BNBGSSS.

Once all the required documents have been submitted, each applicant is subject to tests. The Commission proceeds to organising the tests in order to check a participant's technical preparedness to communicate with BNBGSSS via SWIFT and the web-based interface.

3.4.3. Agreement between the BNB and an applicant for participation in ESROT and an Annex thereto if necessary.

Once the testing has been successful, the BNB and the applicant will sign a bilateral protocol on the test results. If an applicant is granted access to the System, the applicant will have to sign an agreement for participation in ESROT. On the part of the BNB, the agreement is signed by the Deputy Governor in charge of the Banking Department.

3.4.4. Connecting a participant to BNBGSSS

When a participation agreement is signed under item 3.4.3, the Commission notifies the relevant structural units at the BNB and the MoF of the new System participant and of the date on which that participant will be connected, as well as the bank-sub-depository chosen by the applicant where the applicant is unable to perform such functions.

On the basis of the applicant's written application, the signed agreement, and with permission from the Deputy Governor in charge of the Banking Department, the BNB connects that applicant to BNBGSSS and notifies all the other participants of the new participant's name, precise address, and BIC, and of the date from which the new participant is granted full access to the System.

3.4.5. Contact persons

Any applicant is required to send to the Fiscal Services Directorate a list of the names and addresses of the persons who are responsible for each of the activities relating to:

- coordination with BNBGSSS;
- registration of and trade in government securities in BNBGSSS;
- technical, software and communication facilities;
- security;
- SWIFT connection.

The Fiscal Services Directorate prepares, and updates in a timely manner, the list of BNBGSSS participants published on the BNB's official website and available in the 'Help' menu of ESROT. The System's nomenclatures contain the latest details of all users of the participants, who are entitled to send requests for GS transactions under Article 16, paragraph 1 of Ordinance No 5.

The Fiscal Services Directorate maintains an up-to-date register of contact persons. The System participants must notify the BNB of any change in the list of their contact persons as soon as possible.

3.5. Procedure and conditions for terminating or suspending a participant's participation in BNBGSSS

3.5.1. Unilateral termination of a participant's participation in BNBGSSS by the BNB.

The Bulgarian National Bank may unilaterally discontinue a participant's access to BNBGSSS in one of the following cases:

- a participant's license has been revoked or insolvency proceedings have been initiated against that participant;
- a participant's competent authority has decided to discontinue its participation;
- a merger or consolidation of participants in BNBGSSS;
- restrictive measures have been enforced on a participant's capacity to provide investment services and activities;
- the BNB, having consulted the MoF, has decided to suspend a participant's access, the government securities held by the participant and/or its clients, including encumbered government securities, can be transferred ex officio to another participant – a GS

sub-depository designated by the MoF, in consultation with the BNB; in such cases the Fiscal Services Directorate may ex officio transfer the government securities held by that participant and/or collectively by all its clients, including encumbered government securities, to another participant under Ordinance No 5 and may take actions after consulting with the MoF.

The Fiscal Services Directorate notifies in writing all the other BNBGSSS participants of the termination of that participant's participation.

3.5.2. Suspension of a participant's participation in BNBGSSS.

The Bulgarian National Bank, having consulted the MoF, may suspend or entirely discontinue access to BNBGSSS in the following cases:

- the BNB finds that a participant no longer meets the requirements for participation in BNBGSSS;
- a participant fails to fulfil its obligations under the signed agreement and the Annex thereto for participation in the System;
- supervisory measures have been enforced on a participant, which restrict its activities or restrict or suspend the performance of its obligations;
- another event related to a participant, which, according to the BNB, might threaten the overall stability and security of the System, would give rise to systemic risk, or might prevent the BNB from performing its tasks described in the Law on the Bulgarian National Bank;

Where the BNB, having consulted the MoF, has decided to suspend a participant's access, the government securities held by the participant and/or its clients, including encumbered government securities, can be transferred ex officio to another participant – a GS sub-depository designated by the MoF, in consultation with the BNB; in such cases the Fiscal Services Directorate may ex officio transfer the government securities held by that participant and/or collectively by all its clients, including encumbered government securities, to another participant under Ordinance No 5 and may take actions after consulting with the MoF.

The Bulgarian National Bank, having consulted the MoF, may resume the participant's access and lift the restriction. The Fiscal Services Directorate will notify in writing all BNBGSSS participants of the lifted restriction.

3.5.3. Termination of its participation in BNBGSSS at the request of a participant

Any participant may, at its request, unilaterally discontinue its participation in BNBGSSS, complying with the requirements in Ordinance No 5 for termination, at one month's notice.

In each case of termination of a participant's participation in BNBGSSS:

- the Fiscal Services Directorate immediately notifies in writing all the other BNBGSSS participants of such termination;
- the confidentiality obligations remain in force.

3.5.4. Refusal of access to BNBGSSS

The Bulgarian National Bank may refuse to grant access to an applicant for participation in BNBGSSS where the applicant does not meet the requirements for participation in the System, as specified in Ordinance No 5.

If an applicant is not allowed to get connected to BNBGSSS, the BNB prepares a well-substantiated written refusal that is sent to the applicant. The Bulgarian National Bank may refuse access only where that access would threaten the seamless and normal functioning of the government securities market or would give rise to systemic risk. The refusal is drawn up after a thorough assessment of the legal, financial and operational risks that might arise for BNBGSSS if a participant is given access to the System.

3.6. Key Participants

The Government Securities Depository identifies key participants in the Government Securities Registration and Settlement System (BNBGSSS) based on data from the previous calendar year and the BNB notifies them in writing thereof.

The criteria for determining the key participants in the BNBGSSS and the additional requirements for them are in accordance with Appendix No. 8 "Key Participants in the BNBGSSS".

4. Eligible securities

BNBGSSS registers only government securities issued by the Minister of Finance in the domestic market. These are dematerialised government securities in the form of

accounting and electronic entries into software systems, evidencing the ownership of these securities.

Based on the period for which they can be held, the issued government securities are:

- short-term government securities – with a redemption period within one year inclusive;
- medium-term government securities – with a redemption period from one year to five years inclusive;
- long-term government securities – with a redemption period of over five years.

The data on all government securities registered in BNBGSSS and denominated and payable in EUR are entered in the T2S platform.

5. GS accounts

5.1. General rules of opening and closing GS accounts

A government securities settlement account is an account with the central bank used for keeping government securities and for settling government securities transactions between BNBGSSS participants.

5.1.1. Opening securities accounts:

5.1.1.1. Once an applicant has been allowed access to BNBGSSS, that applicant must submit an application for opening securities accounts (Appendix No 1 to Ordinance No 31). The Bulgarian National Bank opens and keeps securities accounts for the government securities held by the System participants and by their clients.

5.1.1.2. The Bulgarian National Bank, the General Accounting Directorate, opens securities accounts for each issue of government securities on the basis of a written request from the Fiscal Services Directorate upon the initial issuance of government securities, which specifies: the name of the System participant that has purchased government securities at an auction for its own account and/or collectively for the account of its clients; the number of the issue of government securities; the currency in which the government securities are denominated.

5.1.1.3. The Bulgarian National Bank opens a securities account of the MoF as the issuer of government securities, and all the government securities of an issue are transferred to that account at the time when it is issued initially, when government securities are repurchased prior to maturity, and at maturity.

5.1.1.4. Securities accounts are used for settling GS transactions in the primary and the secondary market, by the nominal value of the securities subject to a transaction. Settlement of GS transactions is final after the acquirer's securities account for BGN-denominated government securities in GSSA and the acquirer's securities account for EUR-denominated government securities in T2S are credited.

5.1.1.5. The GS depository does not open its own GS accounts. By law the GSD does not hold any government securities and may not use government securities of the BNBGSSS participants or of their clients.

5.2.2. Closing securities accounts.

The Bulgarian National Bank closes securities accounts under the following conditions:

5.2.2.1. when an issue matures;

5.2.2.2. when a participant's participation in BNBGSSS is terminated under item 3.5 of these rules.

The Bulgarian National Bank closes securities accounts:

- in GSSA for BGN-denominated government securities;
- in T2S for EUR-denominated government securities.

5.2. Types of accounts.

The Bulgarian National Bank opens and keeps securities accounts as follows:

- an account for government securities held by the System participants;
- an account for government securities held jointly by clients of participants in the System – an omnibus account. This is an account for government securities that is opened for clients of participants in the BNBGSSS. The System maintains one consolidated (omnibus) account for all clients of each individual participant in the BNBGSSS;

- accounts for encumbered government securities held by the System participants.

5.3. Securities accounts for securities denominated and payable in BGN and in EUR

5.3.1. Securities accounts denominated and payable in BGN

The Bulgarian National Bank opens and keeps securities accounts denominated and payable in BGN in GSSA.

For easier use of the standard SWIFT messages for GS transactions in BGN, a ten–digit code is introduced to designate the GS registers/accounts of the System participants, which code has the following structure (Appendix No 1 to these Rules):

NNNNCCCCXX, where:

NNNN - denotes the type of GS register/account and may take the following values:

9251 – a register/account for the government securities in BGN held by a participant;

9255 – a register/account for the government securities in foreign currency held by a participant;

9252 – a register/account for the government securities in BGN held by a participant's clients;

9257 – a register/account for the government securities in foreign currency held by a participant's clients;

9253 – a register/account for encumbered government securities in BGN held by a participant;

9258 – a register/account for encumbered government securities in foreign currency held by a participant

CCCC – a code of a System participant. If this code consists of three digits, a zero is added in front of it.

XX – the type of encumbrance on the government securities of a participant, where the values are as follows:

00 - for government securities blocked to secure budget funds on accounts and deposits of budget organisations with banks;

01 - for government securities blocked to record a pledge;

02 - for government securities blocked in other cases.

5.3.2. Securities accounts denominated and payable in EUR

The Bulgarian National Bank opens and keeps securities accounts denominated and payable in EUR in the TARGET2-Securities platform.

Each EUR-denominated securities account in GSSA corresponds to a securities account in T2S. Each securities account in T2S is connected to a TARGET2-Securities dedicated cash account.

The securities settlement account in T2S has the following structure:

Example: account No BNBG9255XXXXXXXXXXYYYYYZ, where:

BNBG – the code of the GSD

9255 – a register/account for the government securities in foreign currency held by a participant (as per the description of registers/accounts given in 5.3.1)

XXXXXXXXXX – the participant's code

YYYYYY – a brief code of the issue and the year of issue

Z – a control number.

5.4. Cash accounts for GS

For the purposes of cash settlement on transactions in government securities in BGN and in EUR, each BNBGSSS participant must have an account for cash settlement in RINGS and in TARGET respectively.

5.4.1. Cash accounts for government securities denominated and payable in BGN

The cash accounts for GS transactions in RINGS have the following structure:

Example: account No BGXXBNBGYYYYYYYYYSSSZZ, where:

BG is the country code;

XX is a control number that is used to check the correctness of the input **IBAN** account;

BNBG – the code of the BNB;

YYYYYYYYYY – the bank account number (9 symbols);

SSS – the code of the participant;

ZZ – the identifier of the account type.

5.4.2. Cash accounts for government securities denominated and payable in EUR - Taprer2-Securities Dedicated Cash Account in TARGET (T2S DCA)

T2S DCA has the following structure:

Example: CBGEURBIC11XXXXXXXXXXXXXXXXXXXXXX, where:

C – the identifier for T2S DCA;

BG – the country code;

EUR – the currency of the account;

BIC11 – BIC11 of the account holder of the T2S DCA;

XXXXXXXXXXXXXXXXXXXXXX – the account number (up to 17 symbols at the most). The number and type of the symbols are defined by the BNB.

5.5. Keeping registers and GS accounts

5.5.1. BNBGSSS keeps individual registers and accounts of the System participants and omnibus accounts for the government securities held by their clients. The GS sub-depositories have in place systems for registering the government securities held by their clients and by clients of the participants for which they perform sub-depository functions, as well as individual accounts for the government securities held by these clients.

5.5.2. The GS sub-depositories segregate their own government securities from those of the clients, without being accountable to their creditors for the government securities of the clients for which they keep the individual accounts.

Statements of securities accounts are provided only to the holders of the accounts:

- on a daily basis, where there is movement on the accounts;
- on a monthly basis, on demand.

5.5.3. The participants' obligations relating to the cash settlement of GS transactions in the primary and in the secondary market.

5.5.3.1. The System participants are obliged to provide the numbers of their cash accounts in RINGS and of the T2S DCA account in TARGET.

5.5.3.2. Any participant having no cash account in RINGS must attach a completed sample declaration (Appendix No 2 to Ordinance No 5), in which the bank chosen by that participant gives its consent to be the participant's settlement bank. Any participant with no T2S DCA account in TARGET must attach a completed sample declaration (Appendix No 2a to Ordinance No 5) on the agreement it has signed with the bank chosen by that participant to be its settlement bank that will effect payments in euro on the participant's GS transactions through the bank's T2S DCA account in TARGET in a system component of TARGET.

5.5.3.3. For the purposes of euro cash settlement, any settlement bank participating in the system component TARGET-BNB or in another system component of TARGET must submit to the BNB or another central bank an application for connecting its TARGET2-Securities DCA in TARGET with one or more securities accounts.

5.6. MoF's accounts for GS transactions

In accordance with the requirements in Ordinance No 31, the BNB ex officio opens and keeps in BNBGSSS securities accounts in the name of the issuer (MoF) for each issue of dematerialised government securities in BGN or in EUR. The accounts of the MoF are:

5.6.1. securities accounts of the MoF as the issuer of government securities – these accounts are used for the total amount of one issue of government securities denominated in BGN or in EUR, at nominal value, upon its initial issuance, upon re-opening, upon replacement, repurchase prior to maturity, and at maturity.

5.6.2. securities accounts of the MoF as a participant in BNBGSSS – these are used for settling transactions in government securities denominated in BGN or in EUR in the secondary market, at nominal value.

5.7. Settlement of securities accounts

Settlement on securities accounts can be:

- DvP – delivery versus payment;
- FoP – delivery free of payment;
- PFoD – payment free of delivery.

6. Transactions in the primary and in the secondary market

6.1. Settlement of primary market transactions

6.1.1. Using the GS auction results received from the automated Government Securities Auction System (GSAS), BNBGSSS, via a purpose-specific interface, generates the settlement instructions for the issue of government securities auctioned by the MoF for sale/repurchase/replacement.

6.1.2. On the day of payment, BNBGSSS generates settlement instructions for the bids approved at an auction, including the participants' fees¹ due. The System ex officio debits/credits the participants' cash accounts in RINGS and the T2S DCA accounts in TARGET, respectively, with the total value of the government securities purchased/repurchased/replaced by them and their clients, it debits/credits the issuer's account with the BNB, and at the same time it registers/deregisters the nominal value of the purchased/repurchased/replaced government securities in the participants' securities accounts and in the omnibus securities accounts reflecting the government securities purchased/repurchased/replaced by their clients.

¹ According to the BNB's Tariff of fees and commission for processing government securities transaction.

6.1.3. BNBGSSS registers the total amount of government securities purchased/repurchased/replaced after the MoF's securities account in GSSA is credited.

6.1.4. The Fiscal Services Directorate consults with the MoF the value date and the amounts of the principal and/or interest payments due on maturing government securities.

6.1.5. BNBGSSS automatically calculates the interest and/or principal amounts to be paid by each participant, applying the interest rate conventions and the conditions of each issue of government securities, based on the government securities registered in GSSA/T2S on the securities accounts of the participants and on the omnibus securities accounts for their clients. On that basis BNBGSSS generates settlement instructions for the relevant payments.

No payments on negative-yielding government securities are accepted, calculated or executed in BNBGSSS.

6.1.6. On the day of payment BNBGSSS generates settlement instructions for the payment of interest and/or principal on government securities:

- BGN-denominated government securities - the System ex officio debits the MoF's cash account in RINGS and credits the relevant RINGS participants' cash accounts, and at the same time writes off the matured government securities from the participants' securities accounts in GSSA and from the omnibus securities accounts for their clients in GSSA;

- EUR-denominated government securities - the System ex officio debits the MoF's T2S DCA account in TARGET and credits the relevant participants' T2S DCA accounts in TARGET, and at the same time writes off the matured government securities from the participants' securities accounts in T2S and from the omnibus securities accounts for their clients in T2S.

6.1.7. BNBGSSS notifies via SWIFT the System participants of any principal and/or interest payments due on maturing government securities, and on the settlement date – of the effected payments, using messages MT564 Corporate Action Notification and MT566 Corporate Action Confirmation, respectively.

6.1.8. When executing payments of principal and/or interest amounts and at maturity, the System applies the so-called ‘freeze period’– the requests for and notifications of GS transactions of a certain issue are accepted by 15:00 of the system day and are processed by 15:30 of the BNBGSSS system day preceding the maturity date of the relevant issue of government securities or of the interest payments on that issue.

6.1.9. BNBGSSS submits the settlement instructions related to corporate actions (payment of principal and/or interest) to RINGS/TARGET at the start of the payment day, before all other instructions. The instructions for settling corporate actions are processed with top priority at the start of the RINGS/TARGET system day.

6.1.10. The instructions for settling government securities denominated and payable in EUR, sent to T2S in relation to auctions and corporate actions, use the SWIFT ISO 20022 standard and the system of messages defined under the T2S Rules.

6.2. Settlement of secondary market transactions

6.2.1. Overview

All transactions to be settled in GSSA/T2S are executed following the receipt of a valid instruction (requests/notifications) from a System participant, in accordance with the requirements in Chapter Three of Ordinance No 5. Once the settlement on the cash accounts in RINGS, and on the T2S dedicated cash accounts in TARGET respectively, is over, all transactions made in the GS secondary market are entered into the registers.

BNBGSSS settles transactions only on the agreed settlement dates.

6.2.2. Settlement of GS transactions

6.2.2.1. Trades and transactions in government securities are settled by the FIFO (first input first out) method, on a gross basis, in real time (DvP – Model 1), with the delivery of government securities occurring at the same time as the cash payment, and with a settlement cycle in the secondary market as follows: for the OTC

market - T+0; for transactions made on the E-BOND BULGARIA multilateral trading facility operated by Bloomberg Trading FACILITIES B.V. - T+0; T+1 or T+2; for transactions made in the regulated market operated by the Bulgarian Stock Exchange AD - T+2.

6.2.2.2. Trade by trade processing with no cash movement (FoP – free of payment).

6.2.2.3. BNBGSSS operates according to a pre-announced system day schedule, and aligned with the operating hours of the systems RINGS and TARGET2-Securities.

6.2.3. Format and contents of instructions

Any System participant that wishes to make a transaction in BNBGSSS must send its settlement instruction to the System. All mandatory and optional fields that are to be filled in and the fields that are to be matched are described by type of transaction in the ‘Manual for external users participating in ESROT’.

6.2.3.1. The principle of double notification applies, i.e. each of the counterparties sends one request for/notification of a transaction.

6.2.3.2. SWIFT under the international standard ISO 15022, and a web-interface (based on a VPN environment) with a qualified electronic signature (QES) are used as equivalent communication facilities.

6.2.3.3. BNBGSSS automatically checks all the details in the participants’ requests. The data are in compliance with the requirements 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 (Commission Delegated Regulation (EU) 2018/1229) and are as follows: the type of transaction, the identification details of the participant (the transferor) delivering government securities or cash; the identification details of the participant (the acquirer) receiving government securities or cash; the ISIN number of the issue of government securities and the currency of the traded government securities; the nominal value of the transferred government securities; the actual amount to be paid (for DVP transactions); the settlement date

(value date), and the value date and the repurchase price (for repo transactions), the trading venue (when a transaction is made there).

6.2.3.4. At each stage of the processing, the participants are able to monitor in real time the status of their requests for/notifications of GS transactions.

6.2.4. Priority of trades and transactions

6.2.4.1. On the days on which principal/interest payments become due on matured government securities, repo transactions or GS loans, and on transactions for the purchase, repurchase and replacement of government securities in the primary market, the BNB, after starting the ESROT system day, prioritises these for processing as follows:

- payment of principal and interest amounts on matured government securities;
- the second leg of pre-agreed repo transactions and maturing GS loans;
- purchase, repurchase and replacement of government securities in the primary market;
- other pre-agreed transactions in the secondary market;

6.2.5. DVP/FOP/PFOD transactions

6.2.5.1. Delivery versus payment (DvP) transactions

The DvP (Delivery versus Payment) settlement principle is regulated in Ordinance No. 5 and Ordinance No. 31. The settlement of GS transactions carried out through DvP includes mutual settlement of cash and government securities at the same time, and in each GS transaction the cash is available at the time of the transaction.

a) GS purchase-and-sale transactions concluded in the OTC market, as well as those agreed in the regulated market and multilateral trading system (MTS), are finalised on the DvP principle.

b) repo transactions in government securities between BNBGSSS participants are concluded on the DvP principle.

c) transactions between participants and their clients are also finalised on the DvP principle, as follows:

- repo transactions in GS between BNBGSSS participants;
- transaction for the purchase and sale of government securities by a client of one participant in BNBGSSS to another participant in BNBGSSS;
- transaction for the purchase and sale of government securities by a client of one participant in BNBGSSS to a client of another participant in BNBGSSS;
- transaction for the purchase and sale of government securities by one BNBGSSS participant to a client of another BNBGSSS participant.

6.2.5.2. Free of Payment (FoP) transactions

Transactions in the secondary market between system participants and their clients and between clients of BNBGSSS participants are carried out on the FoP principle, without movement on the cash settlement accounts in RINGS, respectively in TARGET, with the movement being only on the GS settlement accounts. The types of transactions finalised on a FoP principle by BNBGSSS are:

- GS loan;
- other transactions or operations for the transfer of government securities, including: transfer of government securities to registers between participants; transfer of government securities to client registers; transfer of government securities to an account according to Ordinance No. 31; realisation of pledged government securities in the cases of proceeding to execution in accordance with the Law on Special Pledges; other transactions or operations involving GS transfer.

6.2.5.3. Payment Free of Delivery (PFOD) transactions

These instructions are sent by BNBGSSS when paying interest and principal on maturing government securities. Funds are transferred to the accounts of participants in the system, without back transfer of government securities.

6.2.6. GS blocking and unblocking transactions (FoP)

Blocking of government securities in the BNBGSSS, which has the effect of a legal pledge on them in favour of the MoF, or their unblocking, is carried out at the request of participants in the system, sent to the BNB, in accordance with the requirements of Ordinance No. 5 within the terms set jointly by the Ministry of Finance and the BNB. During blocking and unblocking transactions, government securities are transferred from the participant's own account to the participant's account with an encumbrance, in the following cases:

- when entering circumstances regarding a pledge on government securities in the Register of Special Pledges;
- collateral for securing budget funds under Article 152, paragraph 3 of the Law on Public Finances;
- in other cases.

Blocking or, respectively, unblocking of government securities is carried out on the basis of a request sent by a BNBGSSS participant through the technical means of communication determined according to Ordinance No. 5, as follows:

- the requests are sent to the BNB and are processed within the time limit set in the Instructions;
- requests received are immediately subjected to incoming check, similar to all requests received at BNBGSSS. In case an error is found, the request is rejected and the participant is notified thereof. Participants can send new requests and only those that have successfully passed the incoming check are allowed for further processing;
- upon successful incoming check, requests become irrevocable;

- a check is carried out in BNBGSSS as to whether the bank has the required amount of government securities of the relevant issue specified in the blocking (unblocking) request. In the event that the bank does not provide the required amount of government securities specified in the request by the deadline specified in the Instructions, it is refused, and the participant is notified of the reasons for the refusal;
- upon availability of the required quantity of government securities to fulfil the request, BNBGSSS generates accounting records for blocking/unblocking of government securities on the relevant encumbered GS accounts, kept in the GSSA, and transmits them for settlement. After the completion of the settlement, blocking/unblocking is confirmed in the participant's register, according to Ordinance No 5;
- the bank is provided with an electronic copy of the accounting record, which serves as confirmation that the blocking (unblocking) of the government securities has been carried out.

6.2.7. Codes of the types of transactions/operations according to Ordinance No. 5

The codes of the types of transactions are described in Appendix No. 2 to these Rules and Procedures.

6.2.8. Settlement of EUR-denominated government securities is carried out on the T2S platform:

- subject to compliance with the T2S Rules of Operation
- and the schedule of the system day is aligned with the working hours of T2S (Appendix No. 7 to these Rules)
- settlement instructions for government securities denominated and payable in EUR sent to T2S use the SWIFT ISO 20022 standard and the system of communication messages defined under the T2S Rules.

7. Blocking and unblocking of government securities when entering a pledge in the RSP and securing funds on accounts and deposits of budget organisations with servicing banks

7.1. Register of Special Pledges

Circumstances regarding pledges of dematerialised government securities owned by the BNBGSSS participants, kept in their registers in accordance with Ordinance No. 5, are entered in the RSP, set up at the BNB in accordance with the Law on Special Pledges (LSP) and Ordinance No. 5. When entering the pledge, government securities are blocked, and the execution of disposal transactions with them by the pledger is suspended or is possible only with the consent of the pledgee. When the pledge is deleted, the government securities are unblocked.

The register of special pledges is an independent information system with a single database that contains information about each entry. The system has a built-in interface for automated data exchange with BNBGSSS, which enables:

- automatic sending of a request to BNBGSSS upon each entry in the RSP to check for the presence of government securities subject to the pledge and to generate an instruction by BNBGSSS for their blocking/unblocking on the encumbered GS accounts;
- automatic confirmation of the entry in the RSP after receiving information from BNBGSSS about GS blocking/unblocking;
- automatic generation of various reports, confirmations, refusals and certificates for registered pledges on government securities;
- daily reconciliation of data between RSP and BNBGSSS.

The activity of entering circumstances regarding pledges on dematerialised government securities in the RSP is carried out in compliance with the requirements of Ordinance No. 5 and the Internal Rules for registering and servicing pledges on dematerialised government securities.

For the services related to the servicing of special pledges on government securities in the Register of Special Pledges, the BNB collects a service fee for the benefit of the Republican budget, according to the Tariff of the fees collected under the Law on Special Pledges from the Central Register of Special Pledges.

7.2. Setting up a pledge

When pledging government securities, they are blocked in an encumbered government securities account held by the BNBGSSS participant, and disposal of them by the pledger is suspended. Pursuant to the requirements of Ordinance No. 5, execution of disposal transactions by the pledger with the pledged government securities is possible only with the consent of the pledgee.

7.3. Entries in RSP

Entries in the RSP are carried out in accordance with the LSP, the Rules and Regulations for the structure and operation of the Central Register of Special Pledges at the Ministry of Justice (RRSOCRSP), Ordinance No. 5 and Ordinance No. 31.

7.4. Interest payment and repurchase of pledged securities

The method of payment of the principal and interest on the pledged government securities is regulated by a tripartite agreement between the BNB, the pledger and the pledgee in accordance with the requirements of Ordinance No. 5, and when interest payment becomes due and/or at maturity, the BNB transfers the interest due to the account specified in the Tripartite Agreement.

7.5. Blocking and unblocking of government securities as collateral to secure funds on accounts and deposits of budget organisations at servicing banks

7.5.1. Banks provide as collateral the full amount of available funds on all accounts and deposits in BGN and in foreign currency of the budget organisations serviced by them, including letters of credit in favour of the Ministry of Finance according to Art. 152, para. 1 of the Law on Public Finance (LPF).

7.5.2. The collateral under item 7.5.1 is carried out by blocking government securities on Republic of Bulgaria debt (internal and external). The blocking of domestic debt securities is carried out at the BNB and has the effect of a statutory special pledge on them in favour of the MoF. Government securities free of all encumbrances and collateral are blocked. Banks unblock government securities only on the condition that this does not lead to a temporary shortage of collateral for the available funds of budget organisations on accounts with them according to Art. 152, para. 2 of LPF.

7.5.3. Government securities under the previous point, which are registered in BNBGSSS, are blocked or unblocked, respectively, based on a request for this made by the servicing bank.

7.5.4. The blocking/unblocking of government securities in BNBGSSS used for collateral to secure the availability of funds on all accounts, deposits and letters of credit in BGN and foreign currency of budget organisations, including municipalities, with banks, is carried out in accordance with the Joint Instructions of the Minister of Finance and the Governor of BNB – No. 04/28.03.2022 (No. BNB-35283/28.03.2022) regarding the preparation and provision by banks of periodic information on the operations and balances on the accounts of budget organisations and the way to regulate the daily collateral of these funds by banks.

7.5.5. On a daily basis, through BNBGSSS, a report is prepared on the value of the collateral of government securities blocked in BNBGSSS for each of the participants servicing budget funds. References are provided to each participant through the "Letters and documents" menu in the System.

7.5.6. In the case of transactions for blocking and unblocking of EUR-denominated government securities, the same are reflected in the registers after the settlement is completed on the cash settlement accounts in RINGS, respectively on the T2S special cash accounts in TARGET and/or the government securities settlement accounts in the GSSA/T2S.

8. Transactions processing and settlement

8.1. System operating days

The calendar and schedule of BNBGSSS are aligned with those of RINGS and TARGET2 - Securities, and the overnight settlement option in T2S is not used.

Settlement in BNBGSSS of transactions in BGN-denominated government securities is not carried out on Saturdays and Sundays and on all official national holidays of the Republic of Bulgaria.

Settlement in BNBGSSS of transactions in EUR-denominated government securities is not carried out on Saturdays, Sundays and on any of these days: January 1 (New Year), Good Friday and Easter Monday (according to the Catholic Church calendar), May 1, December 25 and 26 (Christmas).

The schedule is described in Appendix No. 7 to these Rules.

8.2. Rules for processing of GS transactions

8.2.1. Means of communication under normal working conditions

Under normal BNBGSSS operating conditions, the following equally valid means of communication are used:

- SWIFT, applying the international standard ISO 15022;
- WEB interface (based on VPN environment) using QES

8.2.1.1. The types of SWIFT (ISO 15022) messages used by BNBGSSS are described in Appendix No. 3 to the Rules and Procedures.

8.2.1.2. The valid types of SWIFT (ISO 15022) incoming messages for the respective types of transactions are described in Appendix No. 4 to the Rules and Procedures.

8.2.1.3. Types of responses to incoming SWIFT messages are described in Appendix No. 5 of the Rules and Procedures. The error codes for verification and processing of SWIFT messages are described in Appendix No. 6 of these Rules.

The “Manual for working with ESROT for external users - participants in the system“ describes the types of transactions carried out by the system, the forms for entering requests/notifications by the participants, the format of SWIFT messages, a list of transaction and operation codes, errors in the processing of data submitted to the system, etc.

8.2.1.4. For EUR-denominated government securities, communication with T2S is carried out through XML format messages, according to the requirements of the platform, using the ISO 20022 message types standard.

8.2.1.5. For transactions concluded in:

- a regulated market organised by the BSE – the BSE sends a daily report with information on GS transactions concluded electronically through a secure information channel. To protect the data transfer between the BNB and BSE infrastructures, an IPSec VPN tunnel is configured with encryption and authentication parameters covering the adopted regulations;
- Multilateral Trading System (MTS) E-BOND-BULGARIA, operated by Bloomberg – for GS transactions monitoring; the GSD has a Bloomberg terminal and the daily report on concluded transactions is accessible through a Bloomberg server.

8.2.2. Submission of requests for processing of transactions/operations in the secondary market of government securities

8.2.2.1. Bilateral Requests/Notifications

The registration of transactions/operations in government securities on the secondary market is carried out based on requests sent to the BNBGSSS through one of the two communication channels from both parties to the transaction – the acquirer and the transferor, respectively the borrower and the lender.

Upon receipt of a SWIFT message at BNBGSSS for transactions of the type MT540 to MT543:

- in case the message is correct, it is accepted by the system and is given a **Not Matched** status;
- in case the message cannot be read or the System detects errors in it, according to the applied nomenclature, the same is rejected by the System, and is assigned a **Rejected** status. A transaction message received that has been read (of a type acceptable by the System) is also rejected and assigned a **Rejected** status in cases where the participant has been imposed a temporary or permanent measure limiting their participation in the BNBGSSS. A message (MT548) is returned to the sender of the message, indicating the error code or the reason why he was not allowed into the System.
- Submission of requests for EUR-denominated government securities.

For EUR-denominated government securities, the GSD applies the T2S rules for matching transaction requests/settlement instructions.

Participants in BNBGSSS send requests to BNBGSSS for the various types of transactions, in accordance with Regulation No. 5. Requests for transactions/settlement instructions to BNBGSSS are sent via messages in MT format (ISO 15022 standard) in SWIFT and the system's web-based interface using qualified electronic signature (QES). After pre-validation and matching of requests, BNBGSSS sends the settlement instructions to T2S in XML format (ISO 20022 standard), subject to compliance with the T2S Rules of Operation.

8.2.2.2. Inbound request check

- Inbound request check for transactions in BGN-denominated government securities:

Transaction requests are sent to the BNB and processed within the system day. Requests received are immediately subjected to an incoming check in terms of

their format, keywords identifying relevant details, and the date and time of receipt. If an error is found as a result of the check, the request is rejected by sending a rejection message to the participant who submitted the request. Participants can submit new requests for the same transactions, and only those that have successfully passed the incoming check are admitted for further processing. The latter are stored until the value date of their execution (future value date).

- Inbound request check for transactions in EUR-denominated government securities:

With the inclusion of the GS Depository in the T2S platform, the inbound verification of requests for EUR-denominated government securities is carried out as follows:

BNBGSSS pre-checks settlement instructions before they are sent to the T2S platform.

Settlement instructions that have passed a successful pre-screening are sent to the T2S platform. Each instruction received in T2S is subjected to a set of checks in order to confirm the instruction in accordance with the technical requirements of the T2S platform.

In the event that the result of these checks reveals errors or inconsistencies, the instruction is rejected, and rejection messages are sent to the sender of the instruction - BNBGSSS.

BNBGSSS sends an error message to the respective participant that generated the respective instruction.

8.2.2.3. Matching requests. Refusal of requests

Upon successful incoming verification, the BNB checks whether the data contained in the requests match. Mandatory fields to match must be present and identical in both statements. The BNB carries out a technical preparatory process for

matching requests for EUR-denominated government securities, which does not replace the subsequent matching of instructions in T2S. The matching of instructions for EUR-denominated government securities is carried out on the basis of mandatory, additional and optional T2S matching criteria. Within the BNBGSSS system day, participants can cancel their requests, the data of which did not match. In the event that by the end of the BNBGSSS system day the data in the requests have not matched, the requests are rejected, and the participants are notified of the reasons for the rejection, such as:

- if requests requiring bilateral notification are matched, i.e. there is a complete match of the data in the transaction requests from both participants, the transaction is assigned the status "matched" in BNBGSSS for BGN-denominated government securities or in T2S for EUR-denominated government securities. Requests with a **Matched** status cannot be cancelled (rejected) unilaterally;
- after the expiry of the deadline for receiving requests requiring bilateral notification for the relevant settlement value date, unmatched messages are automatically cancelled (rejected) by the system, with the status **Cancelled by the System** being assigned to them. The participants who sent them are notified of this with a message MT548.

8.2.2.4. Confirmation of requests:

- when matched requests are processed by the System, each of them is assigned the status **Settled** and confirmations of this (MT544 to MT 547) are sent to the participants who sent the messages;
- when matched requests cannot be processed by the end of the system day on the requested value date due to a lack of securities, funds or other reasons, they are rejected by being assigned the status **Cancelled by the System** and (MT548) messages are sent to their senders with the reasons for refusal: lack of securities, lack of cash or other reasons. In case the

reasons for the refusal are a lack of government securities or cash, the matched requests are not cancelled, and the BNB re-initiates settlement instructions within four working days for BGN-denominated government securities and within 60 days for EUR-denominated government securities.

8.2.2.5. Cancellation of transactions.

The procedure for processing messages for cancellation (rejection) of government securities transactions requiring bilateral notification, sent to BNBGSSS via SWIFT or Web-based interface is as follows:

Upon receipt of a SWIFT message of type MT540 to MT543 with a 'CANC' message function:

- in case the message cannot be read or the System detects errors according to the applied nomenclature, including an attempt to cancel (reject) a non-existent or matched message, it is rejected by the System, assigning it a **Rejected** status;
- in the case of a transaction cancellation (refusal) message received by a participant, which has been read and is of an acceptable type for the System, the same is rejected by the System, giving it a **Rejected** status, when a temporary or permanent measure has been imposed on a participant to limit the latter's participation in the System. A message (MT548) is returned to the sender of the message indicating the error code or reason for its rejection in BNBGSSS;
- in the event that no inadmissible values are found, the cancellation message is accepted by the System, giving it an **Accepted** status and proceeding with the cancellation of the transaction request specified in it. When the latter is cancelled (refused), it is assigned the status **Cancelled by participant** and a message (MT548) is sent to its sender to that effect.

- For EUR-denominated government securities, the cancellation of requests is carried out similarly to that for BGN-denominated government securities, with BNBGSSS sending SWIFT messages (ISO 20022 standard) to T2S and receiving messages from the platform about the cancelled request, in compliance with the T2S Rules.

8.2.2.6. Transaction processing procedures for change of business days

- when a working day is declared non-working, all previously submitted and accepted final trades or repo trades with a future value date on that date, on which no settlement has been made, are cancelled by the System by sending a message with one of the following error codes: **004** – a value date of a transaction is specified that is a non-working day; **095** – the repo value date is a non-working day;
- if a business day, on which the repo value date of a repo transaction falls, the first part of which has already been settled, is declared a non-working day, the repo value date is changed by the System to the next working day. If the next business day is a date on which the transaction cannot be executed due to an upcoming interest payment or maturity of the given issue, the second part of the repo transaction is rejected by a message with one of the following error codes: **028** – the value date of the second part of the repo transaction is indicated, which is impossible due to an upcoming interest payment or maturity; **096** – if a future date greater than or equal to the maturity date of the issue is specified.

8.2.2.7. Correction of wrong entries

Upon detection of incorrect entries in the BNBGSSS, the BNB performs an immediate check, complying with the requirements of Ordinance No. 15.

- in the event that, during the verification of the data in the requests, it is found that an incorrect entry has been made in the System by the BNB, it will carry out *ex officio* corrective operations with a current value date, notifying the participant(s) in the System of this;
- in the event that during the check it is established that the wrong entry in the System is the result of a fulfilled request/notification by its participants, sent in accordance with Chapters Three and Four of Ordinance No. 5, the BNB carries out corrective operations with a current value date based on a participant's request/notification.

The Bulgarian National Bank is not responsible for damages related to the registration and settlement of transactions in government securities caused as a result of incomplete, false or inaccurate information provided by BNBGSSS participants.

8.2.2.8. Moment of entry and moment of irrevocability of requests/notifications

- Moment of entry of requests/notifications – successful check of incoming transactions requests, in accordance with the technical requirements of the System for BGN-denominated government securities and the T2S validation criteria for EUR-denominated government securities. In case the requests do not meet the requirements set out in Ordinance No 5, they are rejected and not registered into the System.
- Moment of irrevocability of the requests/notifications – when there is a complete match of the details in the requests of both parties, the requests are assigned a **Matched** status in BNBGSSS for government securities denominated in BGN or in T2S for government securities denominated in EUR and become irrevocable. In case the requests are unilateral, the moment of entry of the requests/notifications and the moment of irrevocability of the requests/notifications coincides (blocking/unblocking transactions, transferring GS of a client, etc.)

The Bulgarian National Bank checks in the registers in accordance with Ordinance No. 5 whether the transferor, respectively the lender, holds the government securities that are the subject of the transaction and whether they are not blocked. The same check is carried out on the value date of the repurchase, respectively the value date of the maturity of the loan. In the event that these requirements are not met by the end of the BNBGSSS system day, settlement failure procedures apply.

8.2.2.9. Settlement finality

The settlement of government securities transactions is final after the government securities settlement account of the GS acquirer in the GSSA for BGN-denominated government securities and the acquirer's government securities settlement account in the T2S platform for EUR-denominated government securities has been credited, in accordance with the requirements of Ordinance No. 31.

8.2.2.10. Partial settlement

BNBGSSS is in derogation with regard to the requirements for partial settlement pursuant to Art. 12 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.

9. Steps to prevent failed settlement

9.1. BNBGSSS established procedures

The BNBGSSS establishes procedures to facilitate the settlement on the scheduled settlement date. For this purpose the BNBGSSS requires the participants to settle the transactions on the scheduled date. The principles for processing and settlement of transactions on the secondary market can be found in art. 6.2 hereof.

9.2. Measures undertaken by the BNBGSSS participants

The BNBGSS participants undertake all necessary measures to prevent cases of failed settlement and ensure that they have sufficient available government securities or cash, thereby ensuring that the settlement of each transaction takes place on the scheduled date.

9.3. Measures for handling failed settlement

9.3.1. In the event that no settlement can take place on the scheduled date due to a lack of government securities or cash, in accordance with the requirements of Ordinance No. 31, the BNB re-initiates the instructions for the settlement of government securities daily within four working days for government securities denominated and payable in BGN and in accordance with the rules of the T2S platform for government securities denominated and payable in EUR.

9.3.2. Re-initiation of instructions when settlement of GS fails does not apply in cases where the value date of the repo transaction and the maturity value date of the loan is on a date earlier than the specified four-day period.

9.3.3. BNBGSSS participants may bilaterally cancel already matched settlement instructions that are part of the same transaction and whose settlement was unsuccessful within the period specified in point 9.3.1.

9.3.4. For each settlement instruction for which the settlement was unsuccessful, the BNB charges penalty interest to the participant who caused the failed settlement. The mechanism for calculating the penalty interest is described in detail in Chapter 4a of Ordinance No. 31.

9.3.5. The penalty interest is charged and withheld at the end of each working day in which the settlement was not carried out according to the settlement instruction, complying with the requirements of Chapter 4a of Ordinance No. 31.

9.3.6. The penalty interest is collected *ex officio* by the BNB and transferred to the participant affected by the failed settlement in accordance with the requirements of Ordinance No. 31.

9.3.7. In the event that the market value for the relevant government securities issue is not available in a regulated market or in a multilateral trading system or the same is below the nominal value of the government securities, the nominal value of the government securities is used in the calculation of the penalty interest.

9.4. Reporting of cases of failed settlement

BNBGSSS establishes a system for monitoring the cases of failed settlement and immediately informs the competent authority of such cases.

The Bulgarian National Bank annually publishes data on its website in accordance with Annex III of Delegated Regulation (EU) 2018/1229 for cases of settlement failure, and reports them to the Ministry of Finance.

BNB, after consulting with MoF, can temporarily suspend a participant's access or remove them from the system for systemically not delivering government securities.

10. Rules and procedures in case of a participant's default

10.1. Based on a notification received from the competent authority or one received in accordance with Article 6 of Directive 98/26/EO

In order to reduce the systemic risk, the GSD temporarily limits access to the System or terminates it where license revocation actions have been taken against a participant; insolvency proceedings have been opened; in the cases provided for by law, measures have been imposed limiting its activity in whole or in part: a decision has been taken by the competent authority of a participant to terminate it: in the event of a takeover or merger between BNBGSSS participants; measures have been imposed, in accordance with cases provided for by law, limiting the performance of investment services and activities, as well as when the same has ceased to meet the requirements for participation in BNBGSSS and does not fulfil its obligations.

10.2. Measures in the event of opening of insolvency proceedings

In the event of opening of insolvency proceedings in relation to a BNBGSSS participant, the GS Depository undertakes the following actions:

10.2.1. Immediately terminates/temporarily restricts the participant's access to BNBGSSS, thereby ceasing the participant's ability to send requests/notifications for government securities transactions to the System.

10.2.2. It does not process requests/notifications and does not carry out settlement of GS transactions submitted after the point when the GSD was notified that insolvency proceedings had been opened.

10.2.3. The requests/notifications entered into the System for GS transactions, before the point of receipt of the notification of the opening of insolvency proceedings, are processed within the system day.

10.2.4. Immediately informs the MoF about the circumstances that have arisen.

10.2.5. *Ex officio* transfers the government securities owned by the participant, as well as those from his clients, including GS with an imposed burden, to another participant - a GS sub-depository, determined by the Ministry of Finance in agreement with the BNB.

10.2.6. The GS Depository may not transfer to the cash settlement accounts in RINGS, respectively in TARGET2-Securities, indicated by a BNBGSSS participant, on the maturity date of the relevant GS issue or on the GS interest payments date, the necessary funds for the payment where in accordance with Article 6 of Regulation No. 5 the access of the participant in the BNBGSSS has been terminated or temporarily restricted and actions have been taken against him, as well as when there is a motivated proposal for this by the Minister of Finance in connection with data on delay or non-fulfilment of the obligations under Art. 35 of Ordinance No. 5. In these cases, the MoF, in agreement with the BNB, immediately

designates a sub-depository to make the payments of government securities and the interest on them to the clients of the participant against whom the specified actions have been taken.

The government securities depository notifies the following authorities of its actions as soon as possible after the default of a participant in the system operated by the government securities depository: the oversight body, the European Securities and Markets Authority (ESMA), its non-defaulting participants, the trading venues with which it has established a link, the T2S operator and the related securities depositories: The government securities depository maintains up-to-date contact information for the above-mentioned persons.

10.2.7. The GS Depository, together with the participants in the System, performs tests and review of the default rules and procedures and the communications procedures to ensure their expediency and effectiveness in the following cases:

- at least once a year, as a preventive measure for the System;
- upon significant changes in the System;
- after operational incidents affecting the smooth provision of services by the GSD.

The tests are conducted under pre-defined parameters, taking into account different types of participants – participants located in different countries, participants holding different types of accounts, relevant market infrastructures, where appropriate. The results of the tests conducted and the review of the rules and procedures are documented with a notification from the Head of the Government Securities Depository Division to the Director of the Fiscal Services Directorate.

Where a test reveals possible weaknesses in the default rules and procedures, the GSD should make the necessary amendments to them. The results of

such tests and the envisaged changes to the default rules and procedures should be provided to the management body and the risk management committee.

Where the test shows insufficient knowledge or readiness to apply the default rules and procedures by participants in the GSD or other market infrastructures, the GSD should take the necessary steps to duly notify these entities in order to take action to eliminate these weaknesses. The GSD should notify the affected participants by email from the register kept under point 3.4.5.

11. Measures in cases of resolution

Taking measures for the prevention of crises or measures for management of crises as defined by the Law on the Recovery and Resolution of Credit Institutions and Investment Firms in regard to BNBGSSS participant is not sole reason to determine that a participant does not comply with the requirements for participation in the BNBGSSS or does not fulfill their obligations according to the Agreement for participation in the System or the Annex thereto, in this sense this circumstance is not a reason for temporary or permanent suspension of participation in the System.

12. Fees and commissions

The Bulgarian National Bank collects fees and commissions for services in BNBGSSS according to the BNB Tariff for fees and commissions for processing transactions in government securities.

The fees charged for the services provided through BNBGSSS are:

- monthly;
- and fees for GS transactions in the primary and secondary market.

12.1. Monthly fees

12.1.1. Monthly fees for participation in electronic systems operated by the GSD.

12.1.2. Monthly fees for maintaining a register, opening, maintaining and closing government securities accounts.

12.2. Fees for GS transactions in the primary and secondary market

12.2.1. Fees and commissions for processing documents for participation in auctions, registration and settlement of government securities in the primary market and at maturity of issues.

12.2.2. Fees for registration and settlement of GS transactions in the secondary market, fees for blocking and unblocking of government securities, fees for preparing a statement from the register.

The Bulgarian National Bank reserves the right to change the amount of fees and commissions depending on the state of the financial market.

13. Rights and obligations of BNB as owner and operator of BNBGSSS

13.1. Rights and obligations of the BNB in organising, regulating and controlling the BNBGSSS

The Bulgarian National Bank:

13.1.1. Determines the terms and procedure of participation in BNBGSSS.

13.1.2. Develops and issues the rules and procedures for the operation of the BNBGSSS and provides public access to them.

13.1.3. Supervises compliance with BNBGSSS rules and procedures and the implementation of the internal rules for working with the System.

13.1.4. Adopts and complies with internal rules for the operation of BNBGSSS, through which a high degree of protection of the System, operational reliability and confidentiality of information is guaranteed.

13.1.5. Develops and adopts rules for action in emergency situations to ensure the timely processing of GS operations under extraordinary circumstances.

13.1.6. As a settlement agent, it manages the settlement process of GS operations.

13.1.7. Has the right to temporarily limit and exclude a BNBGSSS participant.

13.1.8. Organises and ensures audit of BNBGSSS.

13.2. Rights and obligations of the BNB in operating, maintaining and administering the BNBGSSS

The Bulgarian National Bank:

13.2.1. Operates and maintains the functioning of the BNBGSSS, provides access to the System for participants, in accordance with these rules and procedures and the specifications of the System.

13.2.2. Ensures backup of BNBGSSS operation and at least once a year organises transfer of System operation to its backup configuration.

13.2.3. In case of an emergency or force majeure circumstances, BNBGSSS may change its work schedule, for which it will promptly notify the participants and operators of the System.

13.2.4. Administers and ensures equal, protected access of participants and operators to the System based on reliable access protection mechanisms, authentication of the sender of requests/notifications for GS transactions, integrity and confidentiality of information received and stored in BNBGSSS.

13.2.5. It provides a reliable hardware and software platform for the functioning of BNBGSSS in a secure communication environment, ensuring the issuance and management of the necessary QES certificates. The Bulgarian National Bank applies established security management practices to the BNBGSSS.

13.2.6. It may impose additional security and business continuity requirements on all participants and/or on participants considered systemically important (key) by BNBGSSS.

13.2.7. Notifies all BNBGSSS participants in advance when making changes to the functioning of the System, providing the necessary time to prepare and test their systems for connection to BNBGSSS.

13.2.8. Provides an environment for conducting tests when making changes to the System, at the request of a BNBGSSS participant, and when a new participant is included.

13.2.9. Ensures the operation and development of BNBGSSS in accordance with the Principles for Financial Market Infrastructures of the CPMI and IOSCO, and the current European norms in this area.

13.2.10. Maintains an up-to-date list of persons authorised to make contacts in case of problems arising in connection with transactions with government securities of the participant.

13.2.11. Determines the key participants in BNBGSSS according to the terms and conditions specified in Appendix No. 8 – “Key participants in BNBGSSS”.

13.3. Rights and obligations of the BNB when providing services through BNBGSSS

In its capacity as BNBGSSS operator, the BNB acts professionally and makes maximum efforts to provide services to the System participants as follows:

13.3.1. The Bulgarian National Bank, as the BNBGSSS operator, has the following responsibilities such as:

13.3.1.1. Operation, maintenance and updating of BNBGSSS and its interface with the other systems;

13.3.1.2. Registration of QES certificates for users;

13.3.1.3. Registering and resolving incidents impeding the functioning of BNBGSSS.

The Bulgarian National Bank assumes no obligations and is not bound by any guarantees or recommendations relating to:

- the risk that any transfer of securities made by a participant may subsequently be declared invalid or unenforceable despite its registration and recording in accordance with these Rules;
- the risk that the transfer of pledged securities to an account in BNBGSSS will subsequently be declared invalid or unenforceable, or that any temporary or permanent impediment may prevent the transfer;
- the reliability, quality and availability of the services offered by communication service providers.

The Bulgarian National Bank is the sole owner of the IT infrastructure supporting the functioning of BNBGSSS, which consists of both hardware (servers, computers, telecommunication facilities) and software. For this purpose the BNB, as an operator of the System, undertakes all necessary measures for:

13.3.1.4. Protecting its IT-infrastructure and its components, including its interface with other systems from:

- intrusion, theft, fraud:
- deletion or corruption of sensitive data:
- damage or malfunction of the BNBGSSS infrastructure.

13.3.1.5. Eliminating in the shortest possible time any problem that occurs in the infrastructure of BNBGSSS and its components, including its interface with other systems, for example by resorting to appropriate backup and business procedures in emergency situations. The resolution of incidents and problems follows the principles of good European practice, applying all appropriate actions, in compliance with the BNBGSSS emergency operation procedure.

13.3.1.6. Informing the participants about incidents, creating incident reports. The incident report is prepared in order to provide all interested parties with a

comprehensive analysis of the events, possible solutions and follow-up actions and corrective measures taken. The initial report for the incident must be submitted no later than 4 hours after the moment a significant operational or related to security incident is detected for the first time. The final report is provided within two weeks, after it is determined that normal operations have been restored.

13.3.1.7. BNBGSSS performs periodically tests and reviews the operational rules, policies and procedures with the BNBGSSS participants in the following cases:

- when there are significant changes in the System
- after operational incident affecting the continuous provision of services on behalf of BNBGSSS.

13.4. Integrity of issues

13.4.1. BNBGSSS guarantees the integrity of each issue of government securities from the moment of its issuance until its maturity in accordance with Art. 7 of Ordinance No. 31. For this purpose, BNBGSSS applies certain reconciliation mechanisms that ensure that the aggregate nominal value of each issue of government securities reflected in the issuer's relevant account is equal to the sum of the nominal values of government securities reflected in the participants' GS settlement accounts (own, for general customer purposes and for encumbered government securities).

13.4.2. BNBGSSS applies the principle of double-entry bookkeeping. Every day, at the end of the system day, a reconciliation is made of the data on government securities registered in ESROT with those kept on the separate GS settlement accounts in the GSD System.

13.4.3. In the event that an unlawful creation or deletion of government securities is detected and BNBGSSS fails to resolve the issue by the end of the business day, settlement is suspended until the issue is resolved and the BNBGSSS participants, the oversight body and all other entities involved in the settlement process are notified thereof.

13.4.4. BNBGSSS monthly reconciles the data on the government securities kept in the register in BNBGSSS with the data on the government securities kept in the registers of the GS sub-depositories and of the issuer (MoF).

For successful reconciliation:

- BNBGSSS participants submit a file with structured data on their own government securities and government securities owned by their clients, maintained in the government securities registers in their systems;
- the system performs validation of each newly received file, rejecting it in case of any error and generating a message about the type of error;
- after successful validation of the file, the process of comparing the data submitted by the participants and the data on government securities maintained in the System begins;
- after completion of the comparison process, the System generates a protocol of the results;
- if the data completely matches when comparing the two information flows, the System generates a file with the status "reconciled and accepted data";

- in case of differences when comparing the two information flows, the System generates a file with the status "data mismatch"

- the status can be viewed online by the participant's user and in case of a mismatch, the participant must analyse the cause and correct the file;

- the participant sends a new correction file, and the process can be repeated many times until a complete data match is achieved.

13.4.4. Whenever demanded by the System participants, BNBGSSS provides them with statements of their GS registers as of a certain date and/or of the movement thereon for a certain period of time.

13.4.5. BNBGSSS ensures real-time access of the System participants to the information on their registers of government securities (their own, clients' and blocked securities).

13.4.6. BNBGSSS does not allow GS overdrafts, debit balances or creation of government securities.

13.5. Connections to other depositories which use a common settlement infrastructure

13.5.1. Before establishing connections with other central government securities depositories, GSD identifies, assesses, monitors and manages all possible sources of risk arising from the established connection.

13.5.2. The connection is based on appropriate arrangements formed as an agreement which sets out the relevant rights and obligations of the connected depositories. The arrangements which produce effects in more than one jurisdiction

must unambiguously specify the relevant law that governs every aspect of the linked operations.

13.5.2.1. The central government securities depositories connected to GSD must have in place robust reconciliation procedures to ensure the accuracy of the data stored by them.

13.5.2.2. The links between the GSD and other central government securities depositories must allow for DvP/FoP settlement of transactions. In the event of a temporary transfer of government securities between CGSDs with which the GSD has an established link, the reverse transfer of government securities before the initial transfer becomes final is prohibited.

13.5.2.3. Upon joining the T2S platform, GSD establishes interoperable links with other central securities depositories, for which the depositories agree to use the common technical settlement solutions of T2S.

By signing the T2S Framework Agreement, central securities depositories are bound to apply equivalent moment of finality rules for the transfers of securities and funds and to include:

- the same moments to input instructions;
- irrevocability of transfer instructions.

13.5.2.4. GSD updates, at least once every two years, the depository's self-assessment disclosure framework to ensure compliance with the CPMI and IOSCO principles for financial market infrastructures. GSD publishes the up-to-date self-assessment on the BNB's official website.

GSD undertakes to act only in accordance with the instructions, submitted by the participants in the form and within the terms, specified in these Rules and Procedures.

13.6. Responsibilities of the BNB

The Bulgarian National Bank is only liable for damages caused in the following cases:

- through wilful misconduct or gross negligence;
BNB is under no circumstances liable for:
- any indirect, consequential, incidental or punitive damages or expense (including loss of revenue or anticipated profits, loss of business, loss of public image or damage to reputation), even if BNB has been informed of such loss, damage or expense;
- damages resulting from non-compliance by any participant with the rules and procedures set forth in these Rules.

The Bulgarian National Bank is not liable in case of force majeure or other causes or external events that cannot be attributed to the BNB, as well as malicious damage caused by third parties.

13.7. Responsibilities of the GSD management staff at the BNB

The GSD is part of the structure of the Fiscal Services Directorate, Banking Department of the BNB. The management staff of the GSD:

- determines the functions and tasks of the GSD in accordance with the contractual relationships with the Ministry of Finance, as well as the goals and strategy for their achievement, creating the necessary organisation for functional development and improvement of the GSD-operated system;
- the head of Fiscal Services Directorate performs the functions of a risk manager, and for this purpose creates the necessary organisation in the

GSD related to the development and implementation of risk management procedures; carries out a comprehensive assessment of the operational risks and security-related risks in relation to the GSD activities, as well as the adequacy of the mitigation measures and control mechanisms applied by it in relation to these risks;

- organises, directs and coordinates the overall activity of the GSD with regard to registering and servicing of the internal government debt, the smooth functioning of the GS market and the regulation and control jointly with the Ministry of Finance of the GS registration systems run by its participants;
- ensures compliance with all regulatory and supervisory requirements applicable to GSD; directs and coordinates the activity of improving the regulatory framework regulating the market of government securities issued in the domestic market;
- subjects risk management, compliance and internal control procedures to regular review and testing;
- consults with the BNBGSSS Users' Committee on issues related to projects for innovations, modifications and enhancements of the software applications of the system for registration and settlement of government securities, as well as the means of communication of the System;
- organises and supervises the conduct of tests with the participants in BNBGSSS of new functionalities and enhancements of the system, or at the request of any participant. For this purpose, it creates the necessary organisation in the BNB and with the participants for the conduct of the tests and for the timely notification of the results.

14. Participants' rights and obligations

14.1. Representation and Warranties

Each participant declares and guarantees to the BNB that:

- it has the authority, under its articles of association and under any applicable law, to enter into an agreement to participate in the BNBGSSS, to hold government securities in the BNBGSSS and to participate in the System;
- is fully familiar with all documentation related to the requirements for participation in the BNBGSSS and complies with all obligations under these Rules and Procedures;
- complies with all applicable regulatory documents related to the requirement to combat money laundering and the financing of terrorism or fraud;
- complies with all its obligations in accordance with the EU regulatory requirements;
- all applicable legal, tax or regulatory requirements for disclosure or reporting of holding, control and proof of beneficial ownership with respect to government securities held by BNBGSSS participants have been complied with;
- all information about the participant provided by him to the BNB in connection with his participation in the BNBGSSS has at all times been and will be correct, unless the BNB is notified to the contrary.

14.2. Participants' rights and obligations

14.2.1. Each participant has the exclusive, personal and non-transferable right to use BNBSSS in connection with the settlement of government securities transactions. To this end, the BNB grants to each participant, all rights related to the software and applications of the BNBGSSS that are necessary to ensure the right of the respective participant to use the BNBGSSS.

14.2.2. Each participant undertakes to:

14.2.2.1. Comply with the regulatory framework of Bulgarian and European legislation and the regulatory requirements applicable to its participation in BNBGSSS.

14.2.2.2. Comply with all of its obligations under these Rules and Procedures.

14.2.2.3. Inform the BNB of all incidents that have occurred in the BNBGSSS, which may have an impact on other participants in the System. BNB may request additional information about the incident and also request the participant to take appropriate measures to prevent the recurrence of such an incident.

14.2.2.4. Comply with all additional information security requirements that the BNB may impose.

14.2.2.5. Build and maintain its own systems for working with BNBGSSS;

14.2.2.6. Provide qualified personnel to work with BNBGSSS.

14.2.2.7. Upon request by the BNB, to provide any information, including information about their clients.

14.2.2.8. Implement adequate security controls to protect their systems from unauthorised access and use. Participants are solely responsible for adequately protecting the confidentiality, integrity and availability of their systems.

14.2.2.9. Not to use for any purpose the government securities belonging to its clients unless the participant has obtained the prior express consent of the client in accordance with applicable law.

14.2.2.10. Any System participant acknowledges and agrees that the participant will comply with the instructions received under these rules and procedures, and the BNB takes it on trust that the used communication facilities (with qualified electronic signature certificates via a VPN environment and identification of SWIFT messages) are provided by the participant itself or by a person duly authorised by that participant. The Bulgarian National Bank is in no way liable for the features of these communication means. The telephone calls between the BNB and a System participant's representatives do not give rise to any obligations or responsibilities or waiver of rights for BNBGSSS.

14.2.2.11. Every participant in BNBGSSS who is also a direct participant in T2S undertakes to comply with the Rules for operation with the T2S platform.

15. Actions in the event of problems in BNBGSSS

15.1. Actions in the event of communication and technical problems

In the event of a problem when working with BNBGSSS, participants in the System notify the Fiscal Services Directorate, Government Securities Depository Division, **Tel.: (02) 9145 1336**. All inquiries regarding problems arising when working with the System are registered at e-mail: BNBGSSS@bnbank.org. Where possible, when submitting the message by e-mail, the system message about an error appearing on the screen of the respective BNBGSSS workstation is also sent.

15.2. Notification when the work process of BNBGSSS is interrupted

Possible reasons that may cause the process of registration and settlement of government securities operations to be interrupted:

- disruption of the BNBGSSS performance due to technical reasons;
- technical problems in RINGS and TARGET;
- existence of force majeure circumstances, such as power failure, etc.

In case of technical problems, the contact persons designated by the participants in the System are notified. When normal operation is restored, participants will be notified immediately.

15.3. The following cases are not considered grounds for declaring an emergency

15.3.1. When the normal course of operations is disrupted due to liquidity difficulties of any of the participants in BNBGSSS;

15.3.2. When a participant in BNBGSSS declares that some of their internal systems are down due to a technical or other problem.

16. Procedure and conditions for submitting complaints and appeals from BNBGSSS participants to the BNB Depository

Any BNBGSSS participant may submit complaints in person or by proxy in one of the following ways:

- by letter to the correspondence address published on the BNB's official website in the Customer Service section: BNB, Knyaz Alexander I Square №1, 1000 Sofia;
- at the record-keeping office in the BNB building,
- at email address: **BNB-Delovodstvo@bnbank.org**,

The complaint is submitted in writing in free text and is registered in the BNB record-keeping system on the day of its receipt. The complaint contains the following information:

- a) name of the applicant (including the proxy, if any);
- b) postal and/or electronic address for correspondence and/or telephone number for contact;
- c) statement of the case;
- d) list of attached documents (if available);
- e) date and signature of the person who submitted the complaint.

Anonymous complaints are not considered.

A registered complaint is examined in the Fiscal Services Directorate, and if necessary, assistance is required from the Legal Directorate.

A reasoned response is prepared within 15 calendar days. When an extension of the cited term is necessary, the complainant is notified in writing. The deadline for a response to the complaint is one month.

The Bulgarian National Bank stores all information related to received complaints in electronic and/or paper form, within the statutory deadlines.

The Government Securities Depository and the BNBGSSS Participant must make every effort to resolve any disputes that may arise and reach an agreement. For unsettled issues, the norms of the relevant Bulgarian legislation are applied

17. Protection of confidential information and personal data

17.1. Protection of confidential information

The BNBGSSS activity is carried out in compliance with the Internal Rules for the protection of confidential information and the Law on Personal Data Protection. BNBGSSS participants do not disclose confidential information to any third party.

Confidential information is any information related to the features, settings and functioning of the BNBGSSS, regardless of whether the information is of a commercial, financial, regulatory, technical, or other nature, belonging to the BNB or another participant, which has not been publicly disclosed without breach of any obligation for privacy.

Participants may use confidential information about the BNBSSSS only for the purpose of operation, maintenance, further development, implementation assistance and training services related to the BNBGSSS. As a rule, participants do not disclose confidential information to any third party or to any person other than their staff, branches, contractors or any other person who must have access to it for the proper functioning of the BNBGSSS, except with the express prior written consent of the holder of the confidential information. Participants must take reasonable technical measures to limit access to confidential information to persons authorised to have such access and ensure that their employees, branches, contractors or any other person who receives or will receive confidential information in accordance with the rules set out in this article, operate in full conformity with these rules.

All instructions submitted by participants, whether on their own behalf or on behalf of their client, and all data related thereto, will be accessible only to the

relevant participant and its counterparty for the sole purpose of the proper settlement of the transaction.

The confidentiality obligations under this Article do not apply where disclosure is required:

- for the protection in court, arbitration or similar legal proceedings of the legal interests of the BNB or of a participant, or
- under applicable national law or mandatory regulation, but only within strict limits imposed by such national law or mandatory regulation.

The obligations of confidentiality are valid for an unlimited period of time after the date of withdrawal or exclusion of a participant or termination of his participation in BNBGSSS.

17.2. Protection of personal data

The Participant in the System notifies the BNB of any change related to the personal data that it has communicated within the Agreement for participation in the BNBGSSS.

The Bulgarian National Bank and the BNBGSSS Participant must comply with applicable data protection legislation with respect to any processing of personal data under this Agreement, including the processing of personal data in BNBGSSS.

The Participant must notify the BNB without undue delay of any change related to the personal data that it has communicated within the framework of the Agreement.

18. Appendices

Inseparable parts of these Rules and Procedures are the following appendices:

Appendix No. 1 – Table of the codes of GS registers/accounts of a BNBGSSS participant with the code CCCC;

Appendix No. 2 – Codes used for the types of transactions under Ordinance No. 5;

Appendix No. 3 – Types of SWIFT (ISO 15022) messages used by BNBGSSS;

Appendix No. 4 – Valid types of incoming SWIFT messages by type of transaction;

Appendix No. 5 – Response messages to incoming messages;

Appendix No. 6 – Error codes in checking and processing SWIFT messages received in the Government Securities Depository.

Appendix No. 7 – BNBGSSS System Day Schedule,

Appendix No. 8 – Key Participants in BNBGSSS

Appendix No. 9 – Service Level

19. Entry into Force

These Rules and Procedures repeal the Rules and Procedures for the Operation of the System for Registration and Settlement of Government Securities in the BNB - BNBGSSS approved by No. BNB - 101339/08.09.2023.