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**BULGARIAN
NATIONAL BANK**

**RULES OF PROCEDURE
OF THE USER COMMITTEE
OF THE GOVERNMENT SECURITIES REGISTRATION AND SETTLEMENT
SYSTEM AT THE BULGARIAN NATIONAL BANK**

The English translation of the Bulgarian authentic text is for information purposes only.

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CONTENTS

Chapter One	General Provisions	3
Chapter Two	User Committee Composition and Election of Members	3
Chapter Three	Operating Procedures	5
Chapter Four	Mandate and Responsibilities	6
Transitional and Final Provisions	9

Chapter One
General Provisions

Art. 1. The present Rules (the Rules) regulate the terms of setting up, composition, procedures and mandate of the User Committee of the Government Securities Registration and Settlement System (BNBGSSS) operated by the Government Securities Depository at the Bulgarian National Bank (GSD at the BNB), hereinafter referred to as the Committee. The Rules are issued in compliance with the requirement in Article 28 of Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 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, hereinafter referred to as the Regulation No 909/2014. The Government Securities Registration and Settlement System (BNBGSSS) comprises an Electronic System for Registration and Servicing of Trade in Government Securities (ESROT) and a System of Government Securities Settlement Accounts (GSSS), both operated by the Government and Government Guaranteed Debts Depository Directorate (GGGDD Directorate) within the Fiscal Services Department at the BNB.

Art. 2. (1) The Committee shall be an advisory body providing recommendations, advice, opinions and proposals related to the services provided via the Government Securities Registration and Settlement System, and shall be independent from the GGGDD Directorate at the BNB.

(2) The Committee's decisions shall not be binding either on the GGGDD Directorate at the BNB within the Fiscal Services Department, or on the BNB.

Chapter Two
User Committee Composition and Election of Members

Art. 3. (1) The User Committee shall be composed of members - representatives of the participants in the Government Securities Registration and Settlement System and of representatives of the issuers as follows:

1. Representatives of the participants, Government Securities sub-depositories, pursuant to Article 3, paragraph 1, item 2 of the Ordinance No 5 on the Terms and Procedure for Acquisition, Registration, Redemption and Trade in Government Securities (the Ordinance No 5) – at least 5 members who, during the period referred to in Article 4, paragraph 3, are most active on the Government Securities primary and secondary

market and contribute most to the development of the market infrastructure, including of the Government Securities Registration and Settlement System;

2. Representatives of the issuers: the Ministry of Finance and other ESROT participants pursuant to Article 3, paragraph 1, items 6, 7, and 9 of the Ordinance No 5.

(2) The Fiscal Services Department shall send an invitation to the selected participants in the Government Securities Registration and Settlement System and to the issuers to appoint their representative in the Committee.

(3) Where any of the participants under paragraph 1 does not use their right to a seat on the Committee, the next participant shall take that seat, without prejudice to the setting up of the Committee or its subsequent operation.

Art. 4. (1) Members of the Committee appointed by the institutions under Article 3, paragraph 1 shall be employees with good personal reputation, professional expertise and skills, as well as experience in the Government Securities market area.

(2) Details of the persons appointed as members of the Committee shall be sent in writing by the legal representatives of the institutions – members of the Committee – to the Head of the Fiscal Services Department. An alternate, who also meets the requirements under paragraph 1, shall be appointed to substitute for the full member in his/her absence.

(3) Members shall be appointed for a period of two years and may be reappointed after this period has run out.

(4) Where a representative terminates his/her relationships with the institution participating in the Committee, his/her participation in the Committee shall also be automatically terminated. Until a new representative is appointed, the alternate shall carry out her/his duties in the Committee. The institution – participant in the Committee – shall appoint a new representative within one month, of which it shall notify the BNB pursuant to paragraph 2.

(5) The Committee members shall elect a Chairperson among themselves by a simple majority of votes cast.

(6) Where a participant withdraws from the Government Securities Registration and Settlement System, the participation of its representative in the Committee shall be automatically terminated.

Art. 5. Participants in the Government Securities Registration and Settlement System – central securities depositories from other member-states (Article 3, paragraph 1, item 5 of the Ordinance No 5) – might not participate in the Committee.

Chapter Three
Operating Procedures

Art. 6. (1) The Committee shall, in principle, meet regularly and at least once per year. The Committee's Chairperson shall notify the members about the exact date, hour and venue, and the agenda no later than a month in advance of the scheduled meeting.

(2) Extraordinary meetings may be convened on an ad hoc basis to resolve urgent matters.

(3) A request to convene an extraordinary meeting may at any time be made by the Chairperson or by at least two members.

(4) Scheduling an extraordinary meeting shall be made by the Committee's Chairperson within one month of receipt of the request, respectively the occurrence of the circumstances under paragraph 2, pursuant to paragraph 1.

(5) The meetings of the Committee shall be led by the Chairperson, and in his/her absence – by an alternate appointed by him/her.

(6) The Committee meetings shall have a quorum of a half of the Committee members attending plus one, including the Chairperson or the alternate designated by her/him.

(7) Where a Committee member considers that another member has a conflict of interest on a particular matter, she/he shall put forward a motion to the Committee to ban this member from voting on that matter. The decision to impose a voting ban on a member regarding a particular matter shall be adopted by a simple majority of votes cast.

(8) Any member of the Committee may propose additional items to a meeting's agenda by providing the text of the proposed items in writing to the Chairperson no later than two business days prior to the meeting. In these cases, the Chairperson shall submit the additional agenda items to the Secretary for circulation to the Committee members.

Art. 7. (1) The Head of the Fiscal Services Department shall notify the Committee members about the employees at the GGGDD Directorate, the Fiscal Services Department, acting as coordinators between the Committee and the GGGDD Directorate.

(2) The Secretary's role at the Committee meetings shall be taken on by an employee at the GGGDD Directorate, appointed by the Head of the Fiscal Services Department. In his/her absence, the Head of the Fiscal Services Department shall assign this role to another employee.

(3) The employees at the GGGDD Directorate under paragraph 1 and the Committee's Secretary may attend both the regular and the extraordinary meetings of the Committee. These employees and the Secretary must not be members of the Committee and must not have voting rights.

(4) The Committee's Chairperson shall notify the persons under Article 7, paragraph 1 and the Committee's Secretary about the scheduled regular and extraordinary meetings following the members' notification procedure.

Art. 8. (1) The Committee's Chairperson shall determine the meetings' agenda and shall submit it to the Secretary for circulation by e-mail to all full and alternate members of the Committee.

(2) The Committee shall adopt decisions by a simple majority of votes cast.

(3) The meetings shall be recorded in minutes reflecting the discussed issues and decisions adopted. The minutes shall be drafted by the Secretary and shall be circulated by e-mail to the members attending the meeting prior to its official signature. The Committee members shall have the right to a copy of the signed minutes and the originals shall be kept by the Committee's Secretary at the BNB.

Art. 9. The Committee's working groups may be set up on specific issues related to its powers for studying and/or preparing draft opinions on particular topics. The members of each working group shall be appointed by the Committee's Chairperson amongst its members.

Art. 10. Both the membership and participation in the meetings and the work of the User Committee must not be subject to remuneration by the BNB in any way whatsoever.

Chapter Four

Mandate and Responsibilities

Art. 11. Mandate of the Committee:

1. The GGGDD Directorate shall consult with the Committee on the following matters:
 - 1.1. The GGGDD Directorate's initiated projects for innovation, modification and add-ons to the software applications of the Government Securities Registration and Settlement System, and of the system's communication tools;
 - 1.2. Modifications to the existing functionalities of the system or new additional services requiring add-ons, initiated by the participants of the Government Securities Registration and Settlement System;
 - 1.3. The need to build technical links with other securities depositories and trading venues, their type and scope;
 - 1.4. Types of Government Securities accounts kept in the Registration and Settlement System and at the participants' trading venues;
 - 1.5. Relevant to the operation of the Government Securities Registration and Settlement System towards its better alignment with the higher business

requirements for securities settlement systems, their reliability, safety, and minimising operational risks in line with the European best practice, including in the context of the migration to the T2S platform after the official accession of the Republic of Bulgaria to the Eurozone.

2. Submitting non-binding opinions to the GGGDD Directorate containing detailed reasons regarding the pricing structure of the BNB Tariff of Rates of Fees and Commissions for Processing of the Government Securities Transactions, as well as proposals for its amendment;

3. Advising the GGGDD Directorate on issues that impact on the participants in the Government Securities Registration and Settlement System, including admission criteria for accepting issuers and other participants in the system, and on level of service;

4. Organising and holding consultations with market participants in the Registration and Settlement System on issues within its competency upon request from the GGGDD Directorate, including fulfilment of the requirements of the Regulation No 909/2014, the Regulatory Technical Standards and the Implementing Technical Standards, and of requirements initiated by the EU institutions, international regulatory bodies and organisations representing the interests of the financial market infrastructures;

5. Submitting non-binding proposals to the GGGDD Directorate for amendments to the regulatory framework governing the Government Securities market deriving from the recommendations referred to in the preceding paragraphs;

6. Drafting an annual activity report featuring the most important issues and decisions;

7. Discussing other matters related to the activities of the Committee.

Art. 12. (1) The proposals, recommendations, advice, reports, etc. from the abovementioned article shall be adopted by decision of the Committee and shall be recorded in its minutes of meetings.

(2) The decisions adopted under paragraph 1 shall be submitted by the Chairperson in writing both to the BNB Deputy Governor heading the Banking Department and to the GGGDD Director. The decisions shall be non-binding and shall comprise recommendations, advice, opinions, and proposals related to the services provided via the Government Securities Registration and Settlement System, and shall be supported by reasoning, justifications and analysis of the legal, financial and operational risks.

(3) The Deputy Governor heading the Banking Department shall submit the Committee's activity report for information to the BNB Governing Council.

(4) In discharging their duties the Committee members shall abide by the principles of legality, independence, impartiality, objectivity, and confidentiality.

(5) The Committee's Chairperson and members, the persons under Article 7, paragraph 1, and the Secretary shall keep confidential, protect from unauthorised access and not disclose to

third parties, outside the institutions represented by them, the information which they have acquired in the line of their duties for the Committee, including after the end of their participation in it.

Art. 13. The Committee's Chairperson shall have the following responsibilities:

1. Convening and chairing the meetings and managing the work of the Committee;
2. Making arrangements for timely convening of regular and extraordinary meetings;
3. Inviting the persons under Article 7, paragraph 1 and other persons, subject to the issues discussed, to attend the Committee meetings, whenever the Chairperson considers it necessary and after consultation with the rest of the members;
4. Deciding on the date, time, venue, and agenda of each upcoming meeting and providing this information with the supporting materials for the meeting to the Secretary for circulation by e-mail to the Committee members;
5. Submitting the report under Article 11, item 6 to the BNB Deputy Governor heading the Banking Department and to the GGGDD Director, within the Fiscal Services Department.

Art. 14. As operator of the Government Securities Registration and Settlement System, the GGGDD Director shall have the following responsibilities:

1. Ensuring participation of the persons under Article 7, paragraph 1 and of the Secretary in the Committee meetings;
2. Providing, upon the Chairperson's request, the information and documents necessary for specific issues discussed, related to the Committee's mandate and competencies;
3. Providing, upon the Chairperson's request, practical assistance and support to the Committee, consisting in ensuring a meeting room and office materials related to the activities of the Committee;
4. Providing the Committee in due time with information about the envisaged changes and the status of ongoing IT projects for innovation, modification and add-ons to the software applications in the Government Securities settlement system;
5. Providing the Committee with information about forthcoming changes to the rules and procedures of the Government Securities Registration and Settlement System or to the regulatory framework governing the Government Securities market to be discussed by the Committee;
6. The information provided under the abovementioned paragraphs must not contain confidential data;
7. Organising the publishing of the List of the User Committee Members and Secretary, and the Rules on the BNB website under the heading 'Fiscal Agent', a subheading 'Government Securities Settlement System – BNBGSSS', 'ESROT'.

Art. 15. The Committee's Secretary shall have the following responsibilities:

1. Circulating by e-mail to all members, including the alternate members and the persons under Article 7, paragraph 1, information received from the Chairperson under Article 13, item 4;
2. Drafting minutes of meetings reflecting discussions, results of votes and adopted decisions;
3. Providing copies of the signed minutes of meetings to all Committee members;
4. Keeping minutes of meetings with the supporting annexes, and the materials in accordance with Article 11, item 6 and Article 13, item 4.

Transitional and Final Provisions

§ 1. These Rules shall enter into force on the date of their endorsement.

§ 2. These Rules were adopted pursuant to Article 28 of Regulation No 909/2014 and Article 27, item 27 of the Rules of Procedure regarding the Mandate and Responsibilities of the structural units and the competencies of the senior management staff at the Bulgarian National Bank.