



*Bulgarian National Bank*



**INTERNAL RULES**

**FOR REGISTRATION AND SERVICE OF BOOK-ENTRY GOVERNMENT  
SECURITIES PLEDGES**

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## *Chapter One*

### **General**

**Article 1. (1)** These Internal Rules shall regulate the manner and procedure of:

1. recording of circumstances regarding book-entry government securities pledges pursuant to the Special Pledges Law (SPL) and

2. blocking and unblocking of book-entry government securities in the electronic system for registration and servicing of trade in government securities (ESROT) with a view to securing funds on all budget entities' accounts, deposits and letters of credit in the domestic and in foreign currencies, including those of municipalities, held with banks. Pursuant to the Law on the State Budget of the Republic of Bulgaria for a respective year, blocking of government securities has the legal effect of a special pledge over them in favour of the Ministry of Finance (MoF).

(2) Recording of circumstances relating to pledges of book-entry government securities kept in the ESROT participants' registers at the BNB under art. 15, para. 7 of Ordinance No. 5 of MoF and BNB of 4 October 2007 on the Procedure and Terms for Acquisition, Registration, Redemption and Trade in Government Securities (Ordinance No. 5) is done in a BNB register in pursuance with the provisions of art. 18, para. 3 of SPL and art. 30, para. 2 of Ordinance No. 5, hereinafter referred to as the Register of Special Pledges (RSP). The RSP is an independent information system with a single electronic database containing information about each entry and having a direct interface link with ESROT.

(3) When government securities are pledged, they are blocked in an encumbered government securities account held by the respective ESROT participant and the disposition with the said government securities by the pledger discontinues. Disposition transactions in the pledged government securities may be conducted by the pledger only with the consent of the pledgee.

(4) The manner of interest and principal payments on the pledged government securities is established by virtue of a tripartite agreement concluded between the BNB, the pledger and the pledgee according to the provisions of Ordinance No. 5.

(5) Recordings in the RSP are done in line with SPL, the Organisation and Operation Rules of the Central Register of Special Pledges at the Ministry of Justice, Ordinance No. 5 of 4 October 2007 on the Procedure and Terms for Acquisition, Registration, Redemption and Trade in Government

Securities, and BNB Ordinance No 31 of 4 October 2007 on Government Securities Settlement (Ordinance No. 31).

(6) The activities of recording in RSP of the circumstances relating to pledging of book-entry government securities are carried out by the Government and Government-guaranteed Debt Depository Directorate within the Fiscal Services Department in accordance with the Rules of Procedure on the Functions and Responsibilities of Structural Units and the Competences of BNB Officials.

## *Chapter Two*

### **Recording of circumstances regarding book-entry government securities pledges**

**Art. 2. (1)** Recording in RSP of the circumstances subject to entry under art. 26 of SPL regarding pledges of book-entry government securities is done in accordance with the documents specified below, which the pledger or the pledgee file with the Government and Government-guaranteed Debt Depository Directorate and following a verification of the representation powers of the persons who have signed the documents, including by means of an RSP officer checking up in the Commercial Register at the Registry Agency:

1. a request (instructions) in duplicate (Sample forms Nos 1, 4, 5, 7, 9, 10, 11 and 12 of the Organisation and Operation Rules of the Central Register of Special Pledges at the Ministry of Justice), entered in the register at the Records Office with the respective incoming number;
2. a signed tripartite agreement between the pledgee, the pledger and the BNB providing for the manner of payment of interest and principal, if interest payment and/or maturity of the government securities occurs while in pledge; (On behalf of the BNB, the tripartite agreement is signed by officers authorized by the BNB Governor.)
3. a declaration under art. 264, para. 1 of the Tax-Insurance Procedure Code by the pledger testifying that no outstanding liabilities such as taxes, duties or mandatory social security contributions subject to forced execution currently exist (as at the time of recording);
4. specifying a UIC or attaching a certificate of current status of the pledger or the pledgee (as the case may be) depending on who is filing the documents under para. 1;

5. When acting as a proxy, the persons filing a request for recording a pledge agreement or a change in the recorded circumstances, or granting a consent for the recording or deleting of a pledge agreement have to submit the original or a certified transcript of a duly notarized power of attorney, as well as a xerox copy thereof which is to be retained by the BNB. The xerox copy must bear a "True copy" attestation and the signature of the applicant's representative.

6. In case of recording a special pledge of government securities in favour of the bond holders of a mortgage-backed bonds issue under art. 5, para. 2, item 2 and art. 8 of the Law on Mortgage-backed Bonds, the pledgee to be specified is the issue of mortgage-backed bonds, and the requests for entry/deleting of the pledge are to be filed by the issuing bank of the respective mortgage-backed bonds issue in its capacity of a pledger. In case of deleting the pledge, the request is to be accompanied by a certificate from Banking Supervision Department for the persons assigned to check up the issuing bank and a declaration by these persons, with their signatures either notarised or attested by a registry officer that the obligations of the issuing bank concerning the relevant issue of mortgage-backed bonds have been redeemed in full.

(2) Acceptance of requests to record circumstances relating to pledges of book-entry government securities is done within the time limits set forth in a joint letter by MoF and BNB to the ESROT participants.

(3) For recording a pledge of book-entry government securities in favour of BNB under a loan agreement between BNB and an ESROT-participating bank concluded pursuant to art. 33, para. 2 of the BNB Law and following the procedure of Ordinance No. 6 on Extending Collateralized Lev Loans to Banks:

1. The pledger bank files the documents under para. 1, items 1, 3 and 4.
2. Banking Policy Directorate provides in writing the numbers of dedicated accounts, opened with BNB by General Accounting Directorate, on which matured interest and principals during the pledge period are transferred.
3. All fees for recording a pledge, additional circumstances relating to that pledge, attachment, initiation of insolvency proceedings, and issuing of reports and certificates are ex-officio collected by the BNB from the current account of the pledger bank.

(4) RSP recordings are done by officers designated for this purpose by an order of the Head of Fiscal Services Department.

(5) After checking the requisites of all submitted documents under para.1, the registry officer:

**1.** carries the information from the request for recording into the relevant RSP fields and sends, via the interface link to ESROT, instructions for generation of a transaction request, which is checked to make sure the pledger possesses the required amount of pledged government securities. If the stated government securities are available, ESROT generates memo slips for blocking/unblocking of government securities on/from the respective encumbered government securities accounts in the Government Securities Settlement System (GSSS) and sends them for accounting via the automated link between ESROT and GSSS. Upon completion of settlement on the accounts, the nominal value of the blocked/unblocked government securities is confirmed in the ESROT pledger registry and a sequential number is automatically generated in field No 1 of the request in RSP at initial recording or in the relevant field at additional recording.

1.1 if a technical problem occurs in the interface connection between RSP and ESROT, carries out the GS blocking/unblocking operations via the ESROT manual entry point.

**2.** upon receipt of a request for partial reduction of the amount of pledged government securities (Sample No 1) or for deleting the pledge (Sample No 12), unblocks the government securities following the procedure in item 1.

**3.** issues confirmation about the recording in RSP, which includes:

- date and place of the issued confirmation;
- number of the request (instructions) for recording and date of recording;
- number and date of the issue and the nominal value of the pledged government securities;
- sequential number of the pledge;
- amount of fee paid, and
- the name of the officer who made the entry.

The confirmation, along with one copy of the request and the tripartite agreement, is returned to the applicant.

**4.** provides the pledger with an electronic copy of the accounted memo slips for the operations of blocking/unblocking of the pledged government securities and for the collected fees.

**(6)** Where the check has established that the submitted documents under para. 1 do not meet the requirements, or the pledger does not possess the stated pledged government securities, the officer issues a written refusal by filling in the relevant fields of the request the number, date and reasons for the refusal, which are communicated to the applicant against the latter's signature on the rejection notice, or by recorded delivery.

(7) The recording officer issues certificates for the pledger's sub-account or for a particular RSP recording based on a written request, which includes:

- name, identification code and address of the person requesting the certificate;
- identification code and name of the person holding the sub-account, for which the certificate, or the registration number of the entry, respectively, is requested.

(8) RSP entries and issuing of certificates is charged as per the Tariff of fees collected by the Central Register of Special Pledges in keeping with the Special Pledges Law as revenue to the Republican Budget as follows:

1. for ESROT participants – ex-officio by the BNB on the basis of the tripartite agreement. For that purpose Government and Government-guaranteed Debt Depository Directorate generates a memo slip in ESROT, which is forwarded for accounting to GSSS via the interface link between the two systems, thereby ex-officio debiting the applicant's current account and crediting the MoF income account.

2. in all other cases – in cash at the cash desks designated for the purpose at the BNB or via a bank.

(9) The approvals, refusals and certificates issued in relation to the operation under para. 1. are signed by employees designated by order of the BNB Deputy Governor in charge of Banking Department.

(10) The recording is valid for five years as of the day of initial recording of the circumstance under art. 26, para. 1 and para. 3, item 1 of SPL. It may be extended if renewed before expiry of this term.

(11) Where within the five-year term the recording is not renewed, it expires and the recorded circumstance may not be perfected against third parties. The respective circumstance may be recorded again, but this will be considered a new recording and not an extension of the initial recording.

(12) The disposal of the collateral is carried out pursuant to art. 37 of SPL upon request for commencement of foreclosure (Sample No 5).

1. The pledgee is entitled to sell the pledged government securities in his name or on the pledger's account two weeks after the statement of commencement of foreclosure has been recorded. For that purpose, the pledgee must file instructions for transferring the government securities pledged in his favour to a register of the new holder – an ESROT-participant – or his customer. Simultaneously, a request must be filed for deleting the recording of the pledge agreement (Sample No 12).

2. In the event of abandonment of foreclosure, the pledgee must file a request for abandonment of the foreclosure. (Sample No 7).

### **Art. 3. General requirements for the requests**

(1) The requests and instructions (Sample Forms No 1, 4, 5, 7, 9, 10, 11, and 12) may not contain corrections or obliterations, and must be signed by duly authorised persons.

(2) The fields in the requests, which remain empty because of unstated circumstances, are to be filled in by “no” or “non-existent”.

(3) Before their entry into RSP, the documents received under art. 2, para. 1 are coordinated with a representative of Legal Directorate.

(4) A written consent with a notarised signature is required:

1. under art. 9, para. (2) of the Organisation and Operation Rules of the Central Register of Special Pledges at the Ministry of Justice (OORCRSPMJ) – from the pledger for recording of the pledge agreement;

2. under art. 15, para. (2) of OORCRSPMJ – from the pledgee for entering the circumstances related to abandoned foreclosure (Sample № 7);

3. under art.20, para.(2) of OORCRSPMJ – from the pledgee for deletion of the recording of a pledge agreement (Sample No.12).

The written consent under art. 4 may also be attested by a designated officer under art. 2, para. (4) by affixing his signature on the back of the request.

(5) A written consent without a notarised signature is required:

1. under art. 9, para. (4) of OORCRSPMJ – in the event of a change in a recorded pledge agreement – from the pledger or the pledgee – depending on the change to be recorded;

2. under art.13, para. (3) of OORCRSPMJ – from the pledgee when recording a circumstance about commencement of foreclosure (Sample No.5).

(6) The recording officer provides assistance to the applicant in filling in the request.



### *Chapter Three*

#### **Blocking and unblocking of government securities to ensure funds availability on the accounts and deposits of budget entities with servicing banks pursuant to the Law on the State Budget of the Republic of Bulgaria for the respective year**

**Art.4. (1)** Blocking/unblocking of government securities in ESROT to secure funds on all accounts, deposits and letters of credit in BGN and in foreign currency of budget entities, municipalities including, held with banks is carried out in accordance with the joint guideline of the MoF and the BNB on the terms and procedures for blocking and unblocking of government securities issued in the domestic market (the Guideline).

(2) When blocking government securities under para.1, which has the effect of a legitimate special pledge over these securities in favour of the MoF, the documents under art. 2, para. 1 for recording of circumstances about government securities pledges are not submitted. Only government securities free of any encumbrances or collaterals are blocked.

(3) Government securities are blocked, or unblocked respectively, under para. 1 based on a request as per the sample (Appendix No.1 to the Guideline) sent by the ESROT participant via the communication tools defined under art. 4, paras 2 and 3 of Ordinance No.5 as follows:

1. Requests are sent to the BNB and processed within the time limit set in the Guideline.
2. The requests received undergo instant entry check which includes format, key words identifying the relevant elements, date and time of receipt. If an error is established, the request is rejected and the participant is notified thereof. Participants may send new requests and only requests that have successfully passed the entry check are accepted for further processing.
3. If the entry check under item 2 is successful, the requests become irrevocable. A check is carried out in ESROT to make sure the bank has the required amount of government securities of the issue specified in the request for blocking (unblocking). If within the time limit set in the Guideline the bank fails to provide the required amount of government securities as specified in the request, the request is rejected and the participant is notified of the reasons for rejection.
4. If the government securities required for execution of a request under item 3 are available, ESROT generates memo slips for blocking/unblocking of government securities on the respective encumbered government securities accounts kept with GSSS and sends them for settlement via the automated link between ESROT and GSSS. When the settlement is completed, the

blocking/unblocking is confirmed in the participant's register as per art. 15, para. 7 of Ordinance No.5.

**5.** The bank is provided with an electronic copy of the posted memo slip which serves as a confirmation of the blocking (unblocking) of government securities under para.1.

**(4)** On maturity and/or interest payment date the principal of government securities blocked under para.1 is ex officio unblocked and the funds (for principal and interest payments) are transferred to the bank's settlement account with the BNB and they are not kept as collateral in line with the Guideline.

**(5)** Information on the amount of government securities blocked (unblocked) to secure the funds on budget entities' accounts and deposits in servicing banks is provided by the Government and Government-guaranteed Debt Depository Directorate upon banks' request following the procedure in art.19 of Ordinance No. 5.

**(6)** The government securities pledged to secure the funds on budget entities' accounts and deposits in servicing banks are disposed of in accordance with SPL and the State Budget Law of the Republic of Bulgaria.

### **Final Provisions**

**§1** Integral parts hereof shall be Samples Nos 1, 4, 5, 7, 9, 10, 11 and 12 of the Organisation and Operation Rules of the Central Register of Special Pledges at the Ministry of Justice and a sample tripartite agreement.

**§2.** These Internal Rules have been adopted based on art. 3, para. 4 of the Internal Rules for the Adoption, Storage and Publication of the BNB Internal Acts and shall supersede the Internal Rules for Registration and Service of Book-entry Government Securities Pledges of 2002, and shall come into effect from 1 January 2009. These Internal Rules have been amended with order No RD22-1618/16.07.2010.

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