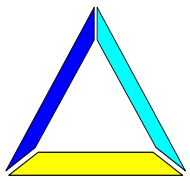
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W5

Контракти з первинними дилерами державних цінних паперів. Міжнародне порівняння та висновки для України.

Резюме

Ця консультативна робота підготована як довідковий матеріал для українських державних службовців, що працюють над розробкою контракту з первинним дилерами. Вона ґрунтується на детальному вивченні таких контрактів в більш ніж 20 країнах по всьому світі. Ми описуємо головні особливості різних контрактів з первинними дилерами і наголошуємо на особливо важливих елементах цих контрактів.

Ключові складові кожного контракту - (i) загальна структура і організація тексту контракту (ii) критерії відбору дилерів (iii) конкретні зобов'язання й привілеї дилерів (iv) зобов'язання уряду і (v) питання нагляду, оцінки діяльності і санкцій щодо дилерів.

У цій роботі також надано короткий виклад і оцінку найцікавіших для нас контрактів. Нарешті, ми пропонуємо детальні рекомендації щодо того, який контракт з первинними дилерами повинен бути укладений в Україні.

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3. Короткий огляд п'яти типових контрактів
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Додаток: Контракти з первинними дилерами в Бельгії, Чехії, Греції, Ізраїлі й Польщі (на англійській мові)

1 Вступ

Уряд України планує запровадити інститут первинних дилерів на ринку державних цінних паперів.[1] Це рішення є частиною стратегії розвитку ринку внутрішніх облігацій в Україні. Ми рішуче підтримуємо введення такої системи в Україні, оскільки вона виявилася успішною в багатьох країнах з перехідною економікою з подібним рівнем розвитку фінансових ринків.[2] Як ми стверджуємо в тісно пов'язаній консультативній роботі на відповідну тему, ми вважаємо, що така добровільна домовленість між Міністерством фінансів і фінансовими компаніями може бути корисною для країни.[3] Цей інститут може допомогти скоротити вартість внутрішніх державних запозичень і створити надійніше джерело фінансування дефіциту державного бюджету. Приватний сектор і економіка в цілому можуть також отримати переваги від більших і регулярніших внутрішніх боргових запозичень і збільшення ліквідності на ринку державних облігацій.[4]

Однак при підготовці інституту первинних дилерів постає ряд проблем. Ключова з них – організація такої системи, що запрацює відразу і відповідатиме поточним умовам на внутрішньому ринку. Загалом, міжнародні стандарти для інституту первинних дилерів відсутні. Таким чином, угоди з первинними дилерами та окремі умови цих угод є досить різноманітними. Однак, підготовка детальних правил і процедур є вирішальною для успішного функціонування інституту дилерів. Зважений підхід також потрібний при запровадженні і нагляді за діяльностю цього інституту. Міжнародний досвід показує, що тільки належним чином підготовлена система і ретельне її виконання дозволять уникнути провалу інституту первинних дилерів на ранній стадії.

В основі інституту первинних дилерів лежить угода між урядом і фінансовими компаніями. У більшості країн з таким інститутом укладаються формальні контракти між урядом з одного боку - зазвичай представленим Міністерством фінансів або Центральним банком - і фінансовими посередниками - так званими первинними дилерами (ПД) - з іншого боку.

Ця консультативна робота призначена слугувати довідковим матеріалом для державних службовців в Україні, які зараз розробляють контракт з первинними дилерами. Вона ґрунтується на детальному вивченні таких контрактів в більш ніж 20 країнах по всьому світі. У розділі 2 ми описуємо головні особливості контрактів з первинними дилерами й виділяємо особливо важливі елементи цих контрактів. В розділі 3 ми надаємо короткий виклад і оцінку п’яти контрактів, які ми розцінюємо як найбільш адекватні для аналізу. Нарешті, у розділі 4 викладені детальні рекомендації щодо контракту з первинними дилерами в Україні.

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[1] По суті, інститут первинних дилерів - це угода між урядом і фінансовими посередниками на ринку державного боргу. Звичайно вона передбачає певні привілеї і переваги для первинних дилерів, такі як переважний доступ на первинний ринок державних облігацій. В свою чергу дилери гарантують виконання ряду зобов’язань, що допомагають підвищити умови і ліквідність на первинному і вторинному ринку державних цінних паперів.

[2] В 2006 році більш ніж 40 країн вже запровадили таку систему, причому їх кількість постійно зростає. Інститут первинних дилерів існує як в розвинутих країнах так і в країнах з перехідною економікою, і поширений у великих і малих країнах.

[3] Див. нашу пов’язану консультативну роботу W1 “Інститут первинних дилерів в Україні. Чому і як потрібно його запроваджувати”, травень 2007 р. за адресою http://ierpc.org/ierpc/papers/w1_en.pdf

[4] Див. нашу консультативну роботу V19 “Валютна структура державного боргу України: чому частка облігацій у гривнях повинна бути збільшена”, лютий 2007 р. за адресою http://ierpc.org/ierpc/papers/v19_en.pdf[4]

2 Головні особливості контрактів з первинними дилерами

У цьому розділі розглянуто головні особливості і зміст різних контрактів з первинними дилерами в наступних підпунктах. По-перше, контракти суттєво відрізняються за загальною організацією, структурою і стилем. По-друге, у кожному з контрактів передбачено різні критерії відбору первинних дилерів. По-третє і по-четверте, у контрактах передбачені різні привілеї й зобов'язання дилерів. По-п'яте, в них розглядаються питання нагляду, оцінки діяльності і можливо санкцій щодо первинних дилерів, які вже діють в цій ролі. Нарешті, ми подаємо основні договірні зобов'язання з боку уряду.

2.1 Тип і Структура Різних Контрактів

Побіжний огляд показує, що контракти істотно відрізняються за загальною структурою і організацією. По-перше, довжина основного тексту контракту і **його деталізація** можуть бути дуже різними (28 сторінок в Словенії і лише 4 сторінок у Норвегії). Деякі контракти, такі як у Греції, Польщі, Франції, Ізраїлі або Словенії мають дуже формальний стиль і містять дуже технічні деталі. Інші, такі як у Чехії, Фінляндії або Данії **розраховані на ширшу аудиторію** й мають такі особливості як список визначень головних термінів, що дозволяють навіть неінформованому читачеві розуміти загальний зміст контрактів. Аналогічно деякі контракти (в Бельгії, Чехії, Нідерландах або Норвегії) включають **зміст і мають логічний порядок викладу тексту**. Водночас, контракти в Франції, Польщі, Литві, Ірландії, Словенії та Іспанії структуроване гірше, що ускладнює виділення основних положень контракту.

Орган, що підписує контракт від імені уряду, також відрізняється залежно від країни. У більшості контрактів, які ми вивчали, стороною договору з боку держави –виступає/ло безпосередньо Міністерство фінансів (9 контрактів). В 6 країнах договір підписувався представником державного агентства, відповідального за управління державним боргом. У двох країнах контрагентом виступив центральний банк, а у інших двох випадках були наявні підписи представників як Міністерства фінансів, так і Центрального банку (Канада й Греція). Інша структурна особливість деяких контрактів - включення **правил проведення аукціонів і подання заявок**. Декілька контрактів, зокрема в Словенії, Ізраїлі або Сінгапурі, містять детальний регламент проведення розміщення державних цінних паперів. Однак більшість контрактів просто посилається на існуючі нормативні документи або закони, які регулюють технічні питання проведення аукціонів.

2.2 Критерії відбору

Вирішальне положення кожного контракту з ПД - критерії відбору ПД. Деякі контракти взагалі не містять критеріїв відбору ПД (Данія, Чехія, Ірландія, Ісландія, Норвегія, Словенія) або не визначають чітких критеріїв(Фінляндія, Франція). Однак, інші контракти передбачають явні і детальні вимоги до ПД: Греція, Угорщина, Ізраїль і Литва, наприклад, вимагають **походження кандидата в ПД з однієїіз країн ЄС або ОЕСР** і наявності капіталу вищого за певний мінімум. Бельгія, Сінгапур, Польща й Литва поставили вимогу щодо мінімального кредитного рейтингу від Moody's, Standard & Poor's або Fitch. Інші країни, наприклад Угорщина, Греція або Сінгапур, навіть ставлять конкретні вимоги до **персоналу** потенційного ПД (мінімальний досвід роботи) або наявності окремого підрозділу по торгівлі цінними паперами (торгівельний зал і бек-офіс). Контракт в Угорщині має цікаві додаткові вимоги до ПД, що бажають працювати з процентними векселями казначейства (державний цінний папір розрахований на роздрібних покупців). А саме заявник, що бажає купувати і торгувати роздрібними державними цінними паперам, зобов'язаний мати принаймні 10 торгівельних відділень у країні. Ряд країн, такі як Канада, Польща або Сінгапур вимагають **певного досвіду роботи на місцевому ринку** державних цінних паперів і певний рівень активності на первинному або вторинному ринку. Фінський контракт передбачає **випробувальний термін**, за який претендент повинен довести, що він зможе виконати свої зобов'язання. Нарешті, більшість країн вимагає, щоб претенденти на статус ПД подали бізнес-план, детальну інформацію про свою діяльність та інші документи, що дозволяють в повній мірі оцінити діяльність і фінансовий стан установи.

2.3 Зобов'язання первинних дилерів

Загалом, більшість контрактів чітко виділяють зобов'язання дилера. Однак, деякі країни визначили зобов’язання ПД досить неясно і переважно якісним чином (наприклад Данія й Фінляндія) замість чіткого переліку зобов’язань, що включав би кількісні критерії.

Основне зобов'язання дилерів в майже всіх країнах із інститутом ПД полягає в тому, щоб подавати заявки на покупку на аукціонах державних цінних паперів. У більшості країн кожний первинний дилер **повинен купити певну частину від загальної кількості всіх випущених облігацій** (наприклад 3 % кожні півроку в Угорщині, 5 % щорічно в Ізраїлі або 2 % щорічно у Франції й Греції). Деякі контракти також включають обмеження щодо максимальних заявок (наприклад не більше ніж 40 % від суми аукціону в Бельгії або 50 %- у Чехії), щоб уникнути викривлення ціни через домінуюче положення одного з дилерів.

Інше вирішальне зобов'язання первинних дилерів стосується торгівлі на вторинному ринку. У переважній більшості проаналізованих контрактів ПД зобов'язані виконувати ключову роль маркет-мейкерів. Вони повинні пропонувати **двосторонні котирування (цін продажу і покупки)** щодо певної кількості державних цінних паперів. Контракти показують, що вимоги щодо котирувань можуть бути різними. Сама жорстка форма такого зобов’язання передбачає "тверді" тобто обов’язкові для виконання двосторонні котирування (Канада і Чехія). Деякі країни, наприклад Фінляндія або Ірландія, вимагають від дилерів лише індикативні (необов’язкові) котирування без зобов’язання купити або продати по вказаній ціні. Окремо(чи щось на зразок того, бо в англ.. версії було particularly) в країнах з менш розвинутими фінансовими ринками, від дилерів вимагають пропонувати котирування для обмежених обсягів і тільки для певних, більш ліквідних, еталонних випусків державних облігацій. Багато країн також вимагають, щоб первинні дилери мали певну частку від торгів на **вторинному ринку** (наприклад, не менше ніж 2 % від річного обсягу торгів в Бельгії, Франції й Греції). Контракти досить значно відрізняються за детальністю положень щодо котирувань на вторинному ринку. Якщо деякі контракти є досить невизначеними в цьому питанні, то договори з ПД в Норвегії, Ірландії або Ізраїлі містять дуже точні цифри, щодо якого обсягу, по яких типах цінних паперів і з якою максимальною різницею між цінами продажу і покупки дилери зобов'язані робити котирування на оптових і роздрібних фінансових ринках.

Майже у всіх країн є досить суворі **вимоги до звітності**, а саме зобов'язання ПД регулярно подавати докладну інформацію щодо їхньої торгівлі і діяльності на вторинному ринку, щодо їхнього фінансового стану. Контракти в Ізраїлі та Нідерландах також містять зобов'язання надавати **підтримку державним дослідженям ринку** за запитом Казначейства. У Франції існують особливо суворі вимоги до ПД, які полягають у щоденному повідомленні казначейства про події на ринку, обсяги виконаних угод, або навіть про характер їхніх клієнтів. Крім того дилери зобов'язані направляти уряду всі власні дослідження і аналітику щодо фінансових ринків й призначати досвідченого економіста, що спеціалізується на французьких ринках, розташованого в Парижі, для частих зустрічей з представниками уряду. Нарешті, більшість контрактів вимагає, щоб дилери активно **просували державні цінні папери**, або, у випадку Нідерландів, навіть розробляли нові продукти на основі державних облігацій.

2.4 Привілеї первинних дилерів

Як і у випадку зобов'язань, викладення привілеїв ПД у контрактах в різних країнах відрізняється за точністю і деталізацією. У більшості країн, особливо у країнах з недостатньо розвинутим фінансовим ринком, статус первинного дилера означає виключне право на участь в аукціонах державних цінних паперів. Цей привілей можна виділити як основний, тому що він дозволяє дилерам отримувати прибуток, перепродаючи куплені цінні папери роздрібним і інституційним інвесторам. Інший пов’язаний привілей - право дилера робити неконкурентні пропозиції, тобто можливість придбати додаткову кількість облігацій за середню аукціонну ціну після закриття аукціону (наприклад 10 або 20 % від облігацій розміщених на аукціоні). Неконкурентні заявки явним чином названо як привілей ПД у Бельгії, Канаді, Греції, Ісландії, Нідерландах, Польщі, Сінгапурі й Іспанії, хоча максимальна

сума для таких заявок коливається від лише 1 % (Сінгапур) до 25 % (Словенія) (треба вказати 1-25% від чого). Деякі контракти включають інші виключні права, такі як право брати участь у операціях з деривативами, зворотному викупі облігацій або доступу до спеціальні ліній репо в Міністерстві фінансів або Центральному банку[5]. У деяких контрактах серед привілеїв також названо право використовувати назву "первинний дилер державних цінних паперів" або іншу подібну назву, і наголошується, як один з привілеїв. можливість консультативних зустрічей з міністерством фінансів, агентством по управлінню державним боргом або центральним банком. У Вірменії, Таїланді і США ПД також є єдиними учасниками операцій монетарної політики(операцій на відкритому ринку). Нарешті, уряди деяких країн, наприклад Ісландії, Індії або Швеції, виплачують комісійну винагороду за зобов'язання викупляти державні цінні папери або пропонують звільнення від податків на доходи від операцій з державними цінними паперами.

2.5 Зобов'язання уряду

Інститут первинних дилерів - добровільна угода між двома сторонами: урядом і фінансовим посередником. Відповідно, більшість контрактів включає не тільки зобов'язання дилера але також і уряду. Майже всі контракти передбачають **регулярне запрошення дилерів на консультативні зустрічі з урядом**(наприклад в Бельгії кожні 6 місяців, у Чехії принаймні один раз у рік, у Франції щотижня, в Ізраїлі щоквартально). Своєчасне оголошення про аукціони- **публікація і виконання аукціонного календаря** - інше ключове зобов'язання держави, що включене в багато контрактів. Контракти у Фінляндії й Польщі передбачають обов'язок уряду визначати список еталонних цінних паперів. Нарешті, Угорщина вимагає, щоб уряд надавав **маркетингову підтримку** первинним дилерам.

2.6 Нагляд, оцінка діяльності ПД і санкції

Крім вищезгаданих вимог до звітності, контракти звичайно містять статті, що стосуються питань нагляду, критеріїв оцінки і можливих механізмів застосування санкцій до дилерів. У майже всіх контрактах нагляд за первинними дилерами - пряма відповідальність **сторони договору з боку держави**, тобто міністерства фінансів, агентства управління державним боргом або центрального банку. У більшості контрактів встановлено, що будь-які важливі події, що стосуються фінансового становища або переходу прав власності на ПД, повинні бути негайно повідомлені урядовому контрагентові. Польський контракт також вимагає, щоб ПД повідомляли про будь-які зміни свого кредитного рейтингу. З огляду на часті злиття і поглинання в банківській сфері, ряд країн також приділяє увагу потенційним змінам власників первинних дилерів. Відповідно, ізраїльські, угорські і литовські дилери зобов'язані негайно повідомляти про зміну в структурі власності ПД, що перевищують 10% від загальної кількості акцій.

Щодо критеріїв і процедур оцінки діяльності ПД, деякі контракти містять тільки короткі і загальні твердження. Інші контракти, навпаки, включають **детальний список якісних і кількісних критеріїв**, на підставі яких проводиться оцінка діяльності дилерів (наприклад в Чехії, Франції, Греції або Іспанії). Ряд контрактів чітко визначає, коли і як будуть опубліковані результати оцінки, при цьому Інтернет є найрозповсюдженішим засобом публікації. Вивчення сайтів державних органів, відповідальних за нагляд за первинним дилерами, показує, що складання **рейтингу дилерів** є сьогодні звичайним явищем. Наприклад, в Чехії на сайті публікується список "кращих дилерів" щокварталу, в Греції подібний рейтинг публікується кожні 6 місяців, а в Польщі й Франції - щорічно.

Звичайний **механізм накладення санкцій**, передбачений контрактами, - тимчасове призупинення деяких або всіх прав ПД або повне скасування статусу дилера. В деяких контрактах це питання розглядається детально, називаючи/ вказуючи, наприклад, всі

[5] Угоди репо включають купівлю або продаж цінних паперів із зобов'язанням провести зворотню операцію у певний час в майбутньому за наперед визначеною ціною. Угоду репо гнучкі через те, що вони дозволяють дилеру отримати додаткову ліквідність на обмежений час. У Бельгії, наприклад, відкрита лінія репо для первинних дилерів для підтримки зобов'язань ПД по підтримці вторинного ринку. "Якщо дилер не може виконати зобов'язання по поставці державних цінних паперів, Казначейство надає необхідні цінні папери через угоду репо на один робочий день, що може бути продовжена протягом щонайбільше 10 робочих днів."

можливі причини накладення санкцій. З іншого боку, інші контракти залишають накладення санкцій на розсуд контролюючого органу. У деяких випадках, як в Норвегії, Ізраїлі або Данії, статус ПД може бути скасований державним органом навіть без пояснення причин. Цікаво, що у деяких контрактах (тобто у Фінляндії та Ісландії) стверджується, що розірвати контракт у випадку порушення правил – це право обох сторін договору.

3 Резюме п'яти типових контрактів

Ця частина коротко підсумує п'ять контрактів ПД, які ми вважаємо найбільш адекватними прикладами. Враховуючи наведене у попередній частині, ми наводимо головні положення і особливості контрактів. Крім того, ми подаємо коротку оцінку їх переваг і недоліків.

Бельгія

Структура	Договір має детальний зміст і написаний у стилі, доступному для широкої аудиторії.
Критерії відбору	Єдиний критерій – кредитний рейтинг не менший ніж "A" від Fitch Ratings, Moody's або Standard & Poor's.
Привілеї ПД	Привілеї ПД описані досить докладно і включають можливість подання неконкурентних заявок (дуже докладний опис у додатку до контракту), участь в операціях по викупу державних облігацій і угодах репо, запрошення на піврічні зустрічі, організовані Казначейством.
Зобов'язання ПД	Зобов'язання описані докладно. Передбачено мінімальну суму, що кожний ПД повинен купити на первинному ринку (2 % від загальної суми розміщень) і мінімальна сума торгів на вторинному ринку (2 % загальної суми операцій ПД на вторинному ринку), зобов'язання надавати інформацію до Казначейства (бізнес-план, звіт про діяльність ПД і загальну інформацію).
Нагляд і оцінка діяльності ПД	Установа відповідальна за нагляд - Казначейство. Критерії оцінки діяльності - ПД повинні виконати взяті на себе зобов'язання.
Переваги	Договір добре структурований, зрозуміло написаний і містить більшість необхідних деталей.
Недоліки	Є тільки один критерій відбору, а умови про надання ПД котувань на вторинному ринку не досить точні. Також механізми санкцій за невиконання зобов'язань є нечіткими, а ясні критерії оцінки діяльності ПД відсутні. Список визначень термінів, використаних в договорі, відсутній.

Чехія

Структура	Договір має детальний зміст і складений у досить формальному, але ясному стилі, зрозумілому для широкої аудиторії.
Критерії відбору	Критерії відбору не визначені.
Привілеї ПД	Опис привілеїв докладний. Передбачено виключне право участі в первинних аукціонах, подання неконкурентних заявок, операціях, в тому числі зворотних аукціонах по викупу і репо державних облігацій, операціях з деривативами, можливість консультацій і зустрічей з Міністерством фінансів.
Зобов'язання ПД	Опис зобов'язань докладний. Визначено мінімальну суму державних облігацій , що кожний ПД повинен купити на основному ринку (3 % від загального обсягу випуску щороку) і мінімальну суму торгів на вторинному ринку (1 % від загальної суми операцій ПД з державними цінними паперами на вторинному ринку). ПД також повинні надавати інформацію (по) (аналіз і дослідження) до Міністерства фінансів.

Нагляд і оцінка діяльності ПД	Встановлено кількісні критерії (обсяги торгівлі, участі у розподілі урядових облігацій і т.д.) виконання зобов'язань на первинному і вторинному ринках і якісні критерії оцінки наданих консультацій та інших форм співробітництва з Міністерством фінансів. Результати оцінки діяльності дилерів публікуються щоквартально.
Переваги	Контракт ясно написаний, дуже добре структурований і визначає багато деталей у найважливіших статтях договору. Також є корисний технічний додаток.
Недоліки	Критерії відбору дилерів не визначено. Вимоги щодо котирування (обсяги і спред) могли бути точнішими. Крім того, відсутня окрема стаття договору про зобов'язання держави.

Греція

Структура	Договір має детальний зміст і складений у формальному стилі.
Критерії відбору	Є дуже точні критерії відбору, такі як розташування в ЄС, мінімальний власний капітал (375 млн. євро), наявність окремого підрозділу для торгівлі цінними паперами.
Привілеї ПД	Подано докладний опис привілеїв. ПД мають виключне право доступу до первинних аукціонів (мінімальна заявка 5 млн. євро), неконкурентні заявки (20 % від пропонованого обсягу), участь в синдикації та операціях по керуванню пасивами уряду Греції, та наявність фінансової інформації (що мається на увазі?).
Зобов'язання ПД	Зобов'язання визначені детально. Зокрема, ПД зобов'язані приймати участь в діяльності на первинному й вторинному ринках, підтримувати точно визначені спреди між цінами купівлі і продажу, просувати державні цінні папери і надавати інформацію міністерству економіки і фінансів, агентству по управлінню державним боргом і Банку Греції.
Нагляд і оцінка діяльності ПД	Явно визначено механізм оцінки ПД: виконання кожного критерію (такий як щоденний оборот, обсяг торгів, спред і т.д.) оцінюється певною кількістю пунктів. Кожні шість місяців публікується рейтинг дилерів і результати їх оцінки.
Переваги	Високий ступінь точності й деталізації. Особливо детально визначено дуже прозору і ясну систему оцінки ПД. Вимоги щодо котування і критерії відбору ПД також точні.
Недоліки	Відсутні визначення використаних термінів. Зобов'язання уряду не описані явним чином.

Ізраїль

Структура	Договір має (дуже) детальний зміст і складений у технічному/юридичному стилі.
Критерії відбору	Передбачено небагато критеріїв відбору, включаючи інституційні вимоги (гарна репутація, резидент одної з країн ОЕСР) і капітальні вимоги (капітал не менше ніж 500 млн. шекелів (приблизно 117 млн. доларів США)).
Привілеї	Привілеї дилерів включають переважний доступ до первинних аукціонів (за ПД закріплено 80% облігацій з фіксованим купоном проданих за конкурентними заявками), можливість подавати неконкурентні заявки (до 5 % від загальної суми), участь у операціях репо і викупу (подано докладний опис).

Зобов'язання	Є докладний опис вимог щодо участі ПД на первинному ринку (5 % від річного обсягу випуску, але не більше 2 млрд. шекелів (0,46 млрд. доларів США) із мінімальною індивідуальною заявкою 10 млн. шекелів (2,35 млн. доларів США)) і на вторинному ринку (максимальні спреди і мінімальні обсяги котирування для різних типів державних цінних паперів).
Нагляд й оцінка діяльності ПД	Орган нагляду - Міністерство фінансів. Оцінюється участь як на первинному так і вторинному ринку. Рейтинг ПД (за обсягами торгівлі, спредами котувань, участю в консультативних комітетах) періодично публікується.
Переваги	Контракт надає дуже детальну й прозору інформацію про привілеї, зобов'язання, правила котирування, правила нагляду і накладення санкцій.
Недоліки	Контракт не дуже добре структуровано і має занадто багато підрозділів. Крім того, він включає багато деталей щодо аукціонної системи, що повинні бути виділені в окремий документ. Як наслідок потрібно занадто багато часу, щоб визначити головні положення контракту. Інший недолік - зобов'язання уряду явно не згадані.

Польща

Структура	Договір має детальний зміст і складений у формальному, дуже юридичному стилі.
Критерії відбору	Претенденти повинні подати інформацію по ряду критеріїв (кредитний рейтинг, чистий капітал, коефіцієнт платоспроможності, досвід участі у місцевих фінансових ринках і т.д.). Однак, контракт не визначає точні критерії відбору тобто мінімальний кредитний рейтинг або мінімальний капітал. До іноземних юридичних осіб ставиться чітка вимога щодо наявності статусу ПД принаймні в одній з країн ОЕСР.
Привілеї	Головні привілеї - виключне право участі в первинних аукціонах, подання неконкурентних заявок після аукціонів, участь в аукціонах по викупу і обміну державних цінних паперів (довгострокових казначейських зобов'язань і Векселів казначейства), переважний доступ до певних угод з Міністерством фінансів, таких як репо або хеджування.
Зобов'язання	Зобов'язання включають покупку держаних облігацій на первинних аукціонах (не менше 5% від номінальної вартості державних цінних паперів розміщених на аукціонах протягом кварталу), котирування цін попиту і пропозиції для еталонних (benchmark) цінних паперів, просування урядових облігацій і надання інформації під час консультацій з Міністерством фінансів.
Нагляд і оцінка діяльності ПД	Запроваджено систему рейтингової оцінки ПД засновану на кількісних критеріях, таких як обсяг торгів на вторинному ринку, але беруться до уваги і якісні показники (консультації і активність на ринку). Оцінка проводиться щоквартально й щорічно. Рейтинг ПД доступний на сайті Міністерства фінансів.
Переваги	Контракт надає дуже детальну й прозору інформацію про привілеї, зобов'язання, правила котирування і питання нагляду. Критерії оцінки прозорі й засновані на точних даних. Крім того, явно зазначені обов’язки уряду і наявність списку визначень теж є перевагами.
Недоліки	Контракт міг бути точнішим щодо критеріїв відбору й вимог котирування первинних дилерів.

4 Рекомендації для України

На основі розгляду більше ніж 20 контрактів та інших джерел, і враховуючи зазначені вище особливості типових контрактів, ми підготували наступні рекомендації щодо головних характеристик контракту з первинними дилерами в Україні:

4.1 Загальні Рекомендації:

- Контракт повинен бути розрахованим на широку аудиторію й розміщеним на вебсайті Міністерства фінансів.

- Контракт повинен включати список скорочень і визначень основних термінів.

- У контракті необхідно уникати надмірно формального або юридичного стилю. Формулювання повинна бути явним і по суті наскільки це можливо.

- Крім того у тексті не повинно бути занадто багато перехресних посилань на інші закони та норми або інших подібних юридичних особливостей. Необхідно також уникати перенасичення основного тексту фінансовими деталями. Якщо є потреба визначити які-небудь технічні особливості, це потрібно зробити в додатку.

- Як емпіричне правило, основний текст контракту повинен бути не довше 15 сторінок.

- Контракт повинен бути чітко структурованим і містити зміст. Кожен з ключових елементів контракту з ПД, таких як зобов'язання ПД, привілеї ПД, критерії оцінки ПД і т.д. повинен розглядатись в окремій статі контракту. Кожна із цих статей повинна також мати назву, а не просто послідовно нумеруватись (гарні приклади - контракти в Бельгії й Чехії).

- Контракт повинен мати силу протягом 1 року.

- Правила проведення аукціонів вкрай важливі, але вони повинні бути подані в окремому документі, а не в контракті з ПД.

- Ми не пропонуємо фіксувати кількість дилерів. Число дилерів має бути визначено переважно ринком, тобто кількістю банків, що відповідають поставленим вимогам, і бажають стати ПД. Однак, повинно бути щонайменше 6 дилерів, щоб забезпечити конкуренцію між ними і запобігти змові.

4.2 Рекомендації щодо зобов'язань ПД:

- ПД повинні брати участь у кожному аукціоні й купувати 3 - 5% від державних цінних паперів, запропонованих для продажу кожного кварталу.

- ПД повинні забезпечувати “тверді” котирування обмеженої кількості еталонних цінних паперів. Точні правила котирування: тип і кількість цінних облігацій, на які поширюються вимоги по котируванню, максимальний розрив між цінами покупки і продажу, і мінімальні обсяги пропонованих угод купівлі-продажу,- потрібно явно визначити в контракті (можливо в додатку). Ці правила повинні бути пом'якшені за виняткової або особливо нестабільної кон’юнктури ринку.

- ПД повинні проводити вивчення й аналіз ринку державних облігацій і повідомляти свої погляди на розвиток ринку представникам уряду на регулярних зустрічах.

- ПД повинні виконувати строгі вимоги до звітності про свою торговельну діяльність, про свій фінансовий стан, зміну власника.

4.3 Рекомендації щодо привілеїв ПД:

- ПД повинні одержати винятковий доступ на аукціони по продажу внутрішніх державних облігацій і мати можливість додатково купувати облігації на неконкурентній основі (наприклад додатково 15-20% від облігацій на кожному аукціоні)

- Їм потрібно дозволити називати себе "первинні дилери українських державних цінних паперів". Вони повинні запрошуватись на зустрічі з Міністерством фінансів і НБУ.

- Щоб уникнути викривлень цінового механізму, кожен дилер повинен купувати не більше ніж 40% цінних паперів на кожному аукціону.

4.4 Рекомендації щодо зобов'язань уряду України:

- Контракт повинен звичайно містити окрему статтю про зобов'язання уряду. Крім того, дилерам потрібно дозволити розірвати контракт, якщо уряд не виконує свої зобов'язання.

- Насамперед, уряд повинен влаштувати регулярні зустрічі з ПД, щоб обговорювати можливі проблеми, повідомляти про свої плани випуску облігацій і обмінюватись ідеями щодо внутрішніх запозичень і розвитку ринку.

- Сторона договору з боку держави повинна обирати і регулярно здійснювати еталонні випуски цінних паперів і публікувати на своєму сайті відповідний список один раз на рік.

- Сторона договору з боку держави також повинна готувати і дотримуватися оголошеного календаря випуску державних облігацій. Аналогічно до положень польського контракту це зобов'язання повинно включати оголошення щодо загальної суми запланованих випусків і очікуваних дат аукціонів один раз на рік. Щокварталу уряд повинен повідомляти типи і особливості запланованих випусків облігацій. За два дні до аукціону повинні бути оприлюднені конкретні суми пропонованих облігацій і:

- Після закінчення аукціону уряд повинен надати детальні результати всім дилерам того ж дня .

- Уряд повинен також спробувати надавати маркетингову підтримку для дилерів (як в Угорщині).

4.5 Рекомендації щодо відбору, оцінки діяльності і накладення санкцій на ПД:

- Взагалі, критерії вибору, оцінки діяльності й процедури накладення санкцій повинні бути настільки ясними й прозорими, наскільки можливо, і явним чином згадані у контракті.

- Головними критеріями відбору первинних дилерів повинні стати наявність мінімального кредитного рейтингу, показники платоспроможності і ліквідності, наявність мінімального капіталу. Довгостроковий кредитний рейтинг дилера повинен бути не нижче ніж А3 для рейтингу від Moody's Investors Service або А- від Fitch-IBCA або Standard & Poor's (як у Литві).

- У претендентів повинен також бути певний досвід торгівлі українськими державними цінними паперами, тобто вони повинні були придбати принаймні 1 % випущених облігацій протягом 12 місяців перед подання заяви. Крім того, контракт може включати вимоги до мінімальної кваліфікації і досвіду роботи службовців дилера та його керівництва.

- Що стосується іноземних банків, то їм потрібно дозволити ставати первинними дилерами, оскільки це допоможе збільшити ліквідність і конкуренцію (добре б вказати де це допоможе збільшити конкуренцію та ліквідність). Тим не менше, іноземні банки повинні будуть відкрити відділення в країні (в Україні) й виконати всі критерії відбору.
- З метою оцінки діяльності ПД контракт повинен включати детальну систему рейтингової оцінки виконання ПД кількісних критеріїв угоди. Гарні приклади - контракти в Греції або Польщі.

- Результати оцінки і рейтинг ПД за їх діяльністю на первинному і вторинному ринку дилера повинні публікуватись щоквартально в мережі Інтернет.

- Державна сторона повинна мати право призупинити дію угоди, якщо дилери не виконують свої зобов'язання.

- Однак перед призупиненням угоди ПД повинен отримати строк для усунення порушень так як у Польщі або Ізраїлі.

- Повинен існувати детальний список причин для застосування санкцій і припинення дії контракту.

- Грубі порушення контракту або недотримання ПД критеріїв щодо мінімального капіталу, кредитного рейтингу або вимог до ліквідності повинні тягнути за собою негайне розірвання контракту з ПД.

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Київ/Берлін: серпень 2007

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Original Contract 1: BELGIUM
Source: http://www.debtagency.be/Pdf/Code%20of%20duties%20PD.pdf

FREE TRANSLATION

KINGDOM OF BELGIUM
FEDERAL PUBLIC SERVICE FINANCE
TREASURY DEPARTMENT
Kunstlaan 30 avenue des Arts
B-1040 BRUSSELS

CODE OF DUTIES OF THE PRIMARY DEALERS IN BELGIAN GOVERNMENT SECURITIES

January 1st, 2007

Note of the translator :
Hereinafter, following abbreviations will be used :
- ***"PD" for "Primary Dealer"***
- ***"RD" for "Recognized Dealer"***
- ***"OLO" for "Linear Bond"***
- ***"TC" for "Treasury Certificate"***
- ***"CB" for "Competitive Bid"***
- ***"NCS" for "Non-Competitive Subscriptions"***
- ***"NBB" for the National Bank of Belgium***

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FOREWORD

The Minister of Finance appoints a group of « PRIMARY DEALERS IN SECURITIES ISSUED BY THE TREASURY OF THE KINGDOM OF BELGIUM » with a view to enhancing the placing of OLOs, strips and TCs, to ensuring the liquidity of these securities on the secondary market, and to promoting the

Belgian Sovereign Debt.

SECTION I

THE PRIVILEGES OF PRIMARY DEALERS

1.1. Exclusive rights

1.1.1. The Primary Dealers have the exclusive right:

1° to carry the title of "Primary Dealer in Belgian Government Securities";
2° to submit after the auction non-competitive subscriptions as stipulated in section 1.2 hereafter;
3° to be the privileged counter-parties of the Treasury in its debt management operations (see item 1.4.).

1.1.2. The Primary Dealers and the Recognized Dealers have the exclusive right:

1° to participate in the auctions of OLOs and TCs ;
2° to strip and to reconstitute OLOs[6];
3° to participate in the buyback operations organized by the Treasury;
4° to use the **repo facility** offered by the Treasury for OLO, TC and strips[7].

1.2. Non-competitive subscriptions

The PDs have the right to acquire after the auction of OLOs or TCs a certain amount of the corresponding securities at the weighted average price or rate auctioned.

The PDs can submit either ordinary non-competitive subscriptions or special non-competitive subscriptions, following the conditions contained in appendix 1 of the present Code of Duties (or according to the conditions contained in the appendix 2 for the newly appointed Primary Dealers).

1.3. Offers of OLOs and TCs at a fixed price

1.3.1 Special market situation

In the event of an abnormal development in the secondary market of TCs or OLOs caused by an imbalance in the distribution of the securities auctioned, the Treasury may offer to all PDs the possibility to acquire these securities during a special non-competitive tour.

The amount of this special allocation is, for all PDs, expressed as a percentage of their ordinary non-competitive allocation.
This percentage is identical for all PDs.
The applied percentage and the price or the rate of the offered securities, are set by the Treasury.
These are announced a quarter of an hour before the opening of the ordinary or of the special non-competitive subscriptions (see appendix 1, sections 1 and 2).

1.3.2. Cancellation of an auction

[6] The Treasury has the same right but only in the framework of the Strip Repo facility.
[7] The market makers on the inter-dealer broker system designated by the Treasury (See sections 2.3.2 and 2.3.3) other than Primary Dealers and Recognized Dealers have the right to use the repo facility only for the securities for which they have a quoting obligation on the designated inter-dealer broker system.

On the day of the auction until 10 AM the Treasury may cancel an auction if an exceptional and unforeseen event occurs. In order to ensure the good functioning in the market, the Treasury may then accept from the PDs ordinary non-competitive subscriptions at the price or rate, and according to the rules, adapted to the specific case. In the framework of this procedure, the arithmetic average considered in the calculation of the authorized amount of non-competitive subscriptions (see appendix 1) is calculated per maturity by reference to the last 3 auctions.

1.3. Counter-parties of the Treasury

The PDs or designated (group) companies are the privileged counter-parties of the Treasury in its debt management operations.

The Treasury concludes these debt management operations with PDs or designated (group) companies with whom an ISDA contract has been concluded. The counter parties must have at least an "A" rating. This rating is the minimum rating as obtained from either Fitch Ratings, Moody's or Standard & Poor's. If the counter-party has no rating or has no rating of at least "A", derivatives transactions, including FX-transactions, can be concluded if the parent company issues a guarantee, provided that the latter fulfils the aforementioned requirement concerning the minimum rating.

All derivatives transactions, including FX transactions, will be documented under an ISDA Master Agreement.

1.4. Concertation meetings

The Treasury organizes regularly concertation meetings with the PDs. These meetings to which the NBB participates, take place in principle every 6 months.

1.5. Announcement of target issuance ranges

The Treasury announces a target issuance range before each OLO and TC auction. The announced range applies to the total amount auctioned on a competitive basis, all lines combined.

In principle, the range is announced on the last TARGET day of the week preceding the auction.

In normal circumstances, the amount issued will be within the announced range. The Treasury reserves the right to limit the amount of the accepted CBs to 80 % of the amounts offered.

1.7 Buy Back operations

The Treasury starts buying back bonds when their remaining life to maturity is **12 months**. Buy back operations can be initiated by the Treasury on other bonds with prior advice to the Primary Dealers.

SECTION II

THE DUTIES OF PRIMARY DEALERS

2.1. Participation in the primary market

The PDs participate regularly to, and take a significant share in, the auctions.

At the end of the period for which the status of PD has been granted, the amount of the CBs accepted from each PD, expressed as a percentage of the total amount allocated by the Treasury on a competitive basis[8], represents on average:

- at least 2 % for TCs on a duration weighted basis;
- at least 2 % for OLOs on a duration weighted basis.

The Treasury has the right to publish a league table ranking the PDs according to their market share in the auctions.

2.2. Participation in the secondary market

The PDs contribute significantly to the liquidity of the secondary off-exchange market of the OLOs, of the stripped securities and of the TCs, including repos.

At the end of the period for which the status of PD has been granted, the amount of the purchases and sales reported by the PD to the Market Authority (see section 4.3), expressed as a percentage of the total amount of the purchases and sales reported by all PDs, represents on average:

- at least 2 % for TCs ;
- at least 2 % for OLOs.

The repos and the buy & sell back (or sell & buy back) are excluded from the aforementioned calculation.

The PDs participate actively in the liquidity management transactions of the Treasury.

The PDs become members of the Regulated Off-Exchange Market, governed by the Royal Decree of May 16th, 2003 on the off-exchange market in linear bonds, strips and treasury certificates, by signing the present code of duties. The PDs carry out the major part of their transactions in the Regulated Off- Exchange Market.

2.3. Quotation of firm rates or prices

2.3.1. GENERAL PRINCIPLES

PDs quote firm bid and offer rates or prices to their customers.

PDs also post continuously indicative prices on their screens. They keep their screens up-to-date to ensure that posted prices are at all times in line with the market.
They endeavour to post prices which reflect as closely as feasible their actually traded prices.

A PD who, due to a particular market situation, has an earnest problem in meeting this obligation, promptly informs the Treasury.

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[8] For the product concerned:
Percentage = Sum of CBs accepted from a PD during the reference period / Total CBs accepted from all PDs by the Treasury during the same period

2.3.2. TREASURY CERTIFICATES

PDs post yields for, at least, the lines they are committed to quote on the "inter-dealer broker" system designated by the Treasury. The maturity dates of the quoted certificates are indicated on the screen.

In normal market conditions, PDs quote firm rates to their customers following the rules which apply in the inter-dealer broker system mentioned in section 2.7.

2.3.3. LINEAR BONDS

PDs post prices for, at least, the lines they are committed to quote on the "inter-dealer broker" system designated by the Treasury.

In normal market conditions, PDs quote firm prices to their customers following the rules which apply in the inter-dealer broker system mentioned in section 2.7.

2.3.4. STRIPS

PDs assume on a voluntary basis the status of market maker in strips on the inter-dealer broker system designated by the Treasury. The quality of the contribution made by the PDs market makers in strips will be included in the appraisal made by the Treasury of their activity.

2.4. Promotion and placement of Belgian Government securities

PDs place OLOs, strips and TCs with final investors in Belgium and abroad.
The Treasury may agree with the PDs on specific promotion or placement objectives.

2.5. Reporting to, and information of the Treasury

2.5.1. "Business plan".

The PDs submit a business plan within the timing determined by the Treasury. The business plan contains at least the information requested by the Treasury.
It is understood that, even though the Treasury does not request a commitment to actually achieve all the elements of the business plan, the Primary Dealer is nevertheless expected to deploy its best efforts to realise the business plan. The business plan will therefore provide a reference point to the Treasury in its evaluation of the quality of the PD's business strategy.

The performance of the Primary Dealers, the implementation of the business plan and the presentation of the business plan for the year next, will be discussed with the Treasury during a meeting at which each Primary Dealer will be invited separately.

2.5.2. Activity report.

PDs submit regularly to the Treasury a report on their activity. The activity report is structured according to the European harmonized reporting format, following the guidelines outlined in the website of the relevant Economic and Financial Committee (EFC) sub-Committee[9].
The report is transmitted by electronic mail. As a substitute for a certified copy, PDs execute via an authorized signatory a separate document that authorizes particular individual(s) to provide the harmonized report by e-mail sent to the Treasury[10].

[9] http://www.europa.eu.int/comm/economy_finance/efc/efc_reports_en.htm

[10] ref. section A, VII of the "Technical Specifications Manual" published on the EFC website.

The PDs also contribute to the general information of the Treasury. They regularly report to the Treasury on the developments in the market.

2.6. Specific obligation in the framework of the auctions

2.6.1 Auctions of OLOs

The PD whose accepted competitive bids total more than 40 % of the amount issued in a line at an auction, informs the Treasury of the amount it has taken for its own account and of the degree of concentration of its underlying customers' orders (with no name disclosure).

2.6.2. Auctions of TCs

Before the auction

For each participant, the bid amount per rate is **limited to 25 % of the indicative issuance amount of each line separately**. The indicative issuance amount for each line is announced at the same moment as the target issuance range. This rule is applicable **to all TC lines at every auction.**

During the auction

Total accepted competitive bids per PD per line at an auction are limited **to 40% of the amount issued in the relevant line**.

After the auction

In the event of abnormal trading conditions in a specific TC line, the **Treasury may require a PD** to disclose the size of the position taken for its own account in that TC line. If the size of the position, including repos, exceeds 50% of the TCs outstanding in the relevant maturity, the Treasury may request the PD to reduce the amount of the position. The same rule applies to short positions taken by a PD.

2.7. Participation in an "inter-dealer broker" system for the Belgian Government securities market

The PDs participate, as market maker and shareholder, in the company designated by the Treasury after consulting with the PDs, the objective of which is to ensure the functioning of an "inter-dealer broker" electronic platform for the Belgian Government securities market.

2.8 Participation in the automatic securities lending facility

PDs should participate at least as a lender of securities in the automatic securities lending facility of the National Bank of Belgium (NBB).

2.9 Ethical behaviour

PDs hold themselves to the highest standards in financial business practice. In particular, their activity in Belgian Government securities is consistent with the objective of the Treasury to maintain orderly, efficient and liquid markets.

SECTION III

APPRAISAL OF THE ACTIVITY OF THE PRIMARY DEALERS

3.1. Interim appraisal

The Treasury appraises the activity of the PDs every semester according to the quantitative and qualitative criteria contained in Section II of the present Code of Duties.

3.2. Final appraisal

One month before the end of the period for which a PD has been appointed, the Treasury makes a final appraisal of the PDs activity during that period.

3.3. Communication of the appraisal

The appraisals are forwarded to each PD individually.

SECTION IV

ADMINISTRATIVE PROVISIONS

4.1. The appointment of PDs and their status

The status of PD in Belgian Government securities is granted for a period of one year.

A PD may renounce to its status with a one month notice sent by registered letter to the Administrator General of the Treasury. The one month notice period starts on the first day of the calendar month following the reception of the letter.

4.2. Sanctions

The Treasury may sanction a PD failing to meet his obligations.

The possible sanctions are a temporary reduction or suspension of some or all of the PDs rights and/or privileges and the termination of his appointment.

The Treasury may make the sanctions public in the manner, which it deems to be appropriate in the circumstance.

4.3. Reporting of transactions[11]

The PDs shall report to the Securities Regulation Fund ("Fonds des Rentes - Rentenfonds") all their transactions in OLOs, strips and TCs, on or off the Regulated Off-Exchange Market, following the rules and procedures set by the Securities Regulation Fund. Strict attention will be paid to the integrity and the punctuality of the reporting.

PDs accept, and they co-operate with, any external control appropriate to check the integrity of the data which they are committed to report to the Securities Regulation Fund.

4.4. Interpretation of the Code of Duties

If a provision of the Code of Duties raises a problem of interpretation, the Treasury shall propose to the PDs to resolve it in the framework of a concertation meeting (see section 1.5).

[11] The obligation of reporting to the Securities Regulation Fund is independent of the obligation to report on the activities as set
in section 2.5.2.

APPENDIX 1

TO THE CODE OF DUTIES OF THE PRIMARY DEALERS IN BELGIAN GOVERNMENT SECURITIES THE NON-COMPETITIVE SUBSCRIPTIONS OF INCUMBENT PRIMARY DEALERS

GENERAL PRINCIPLES applicable to the Special Non Competitive Subscriptions (special NCSs):
The PDs are entitled to submit special NCSs, when their market share is at least 8% for the relevant instrument (either OLO or TC) on the "inter-dealer broker" electronic platform referred to in section 2.7 of the code of duties ("IDB threshold").

For each PD, the IDB threshold is per reference period calculated, respectively for OLOs and TCs, as follows:

$$= \frac{\text{Sum of duration–weighted IDB-transactions done by the relevant PD}}{\text{Total duration-weighted IDB-transactions done by all PDs}}$$

Reference period: last four calendar months which expire one calendar month before the month during which the competitive auction takes place.

Primary Dealers loose the right to submit SNCS if they have not achieved the 2% minimum market share requirements set in section 2.2 of the Code of duties for both OLOs and TCs.

The respect of these thresholds is checked over the period, which is identical to the period defined in the paragraph here above for the calculation of the IDB threshold.

The operator of the inter-dealer broker establishes that no trades have been made with the sole intention of artificially increasing a market share.

1. The TCs

The amount of a PD's authorised subscription is calculated by maturity segment (3, 6, 12 months). It is expressed as a percentage of the average amount of the accepted CBs of this specific PD, in the corresponding maturity segment at the last 4 auctions (including the auction for which the NCS is calculated).

1.1. Ordinary NCSs

* Exercise: from 3 PM to 3:30 PM (CET) on the first TARGET day following the auction date of the TCs.
* Amount: 30%.

1.2. Special NCSs

* Exercise: from 11:00 AM to 11:30 AM (CET) on the second TARGET day following the auction date.
* Amount: 8 %.

2. Fixed rate OLOs

The amount of a PD's authorised subscription is calculated by residual maturity segment (see section 3 below). It is expressed as a percentage of the average amount of the PDs' accepted CBs in the corresponding maturity segment at the last 4 auctions (including the auction for which the NCS is calculated).

2.1. Ordinary NCSs

* Exercise: from 3 PM to 3:30 PM (CET) on the first TARGET day following the auction date of the OLOs.
* Amount: 30%.

2.2. Special NCSs

* Exercise: from 3 PM to 3:30 PM (CET) on the second TARGET day following the auction date of the OLOs.
* Amount: 8 %.

3. OLO lines auctioned in the same residual maturity segment.

The Treasury may issue in an auction, one or more OLO lines in one or more of the following maturity segments:
* medium: residual maturity below 8 years ;
* long: residual maturity from 8 years to less than 11 years ;
* very long: residual maturity of 11 years and beyond.

If the Treasury auctions more than one line in the same maturity segment, each line auctioned in the same maturity segment is considered as though it were a separate auction for the calculation of the arithmetic average determining the amount of the NCSs.

If the Treasury auctions more than one line in the same maturity segment, the calculation made to determine the amount of a PD's authorised NCSs in the corresponding maturity segment is adjusted as follows:

(i) For the calculation of the NCSs at the auction in question, the standard calculation procedure (point 2. of this appendix) applies, being understood that each line auctioned in the same maturity segment is considered as though it were a separate auction. Thus, a specific NCS can be made for each line. The amount of each specific NCS is calculated by reference to the amounts of the PDs accepted CBs in the corresponding maturity segment at the last 4 auctions. The latest auction considered is the assumed separate auction made on the previous business day.

(ii) For the calculation of the NCSs authorised at the next auction in the relevant maturity segment, the standard calculation procedure (point 2. of this appendix) applies. As regards the calculation of the amount of the accepted CBs at the previous auction, however, the total amount of the PDs accepted CBs in the relevant maturity segment is divided by the number of lines which were auctioned in that same segment so as to yield only one single average amount of accepted CBs in this segment at the auction in
question.

The shift of an OLO line from one maturity segment to another as a result of the shortening of its remaining life over time has no impact on the calculation of NCSs. Thus, the amount of the authorised NCSs in a given maturity segment will remain a function of the accepted CBs in that segment even though the CBs refer to a line which, at a certain point in time, shifted to another segment.

APPENDIX 2

TO THE CODE OF DUTIES OF THE PRIMARY DEALERS IN BELGIAN GOVERNMENT SECURTIES

THE NON-COMPETITIVE SUBSCRIPTIONS OF THE NEW PRIMARY DEALERS

For the new PDs, the following regime applies:

1. *Calculation of the ordinary NCSs*

During the first 3 auctions following the appointment of a new PD, the authorised amount of NCSs is calculated following the same principles as for the other PDs (see Appendix 1).

However, the arithmetic is adjusted as follows:

* *first auction* : accepted CBs of the new PD at this auction divided by 1 ;
* *second auction* : sum of accepted CBs of the new PD at the first 2 auctions divided by 2 ;
* *third auction* : sum of the accepted CBs of the new PD at the first 3 auctions divided by 3 ;
* *from the fourth auction onwards* : same procedure as for the other PDs.

2. *Eligibility to special NCSs*

The minimum participation requirements set in section 2.2 of the code of duties are assumed to have been met until the reference period is long enough to calculate the new PDs market share following the standard procedure.

3. *Calculation of special NCSs*

For the first three calendar months following the appointment of a new PD, the calculation of the "IDB threshold" of the new PD (see appendix 1, General Principle) is the same as for the other PDs.

However, the arithmetic is adjusted as follows:

* *first month* : sum of the transactions carried out by the new PD during the month, divided by the total of the transactions carried out by all PDs during the same period;
* *second month* : sum of the transactions carried out by the new PD during the first two months, divided by the total of the transactions carried out by all PDs during the same period;
* *third month* : sum of the transactions carried out by the new PD during the first three months, divided by the total of the transactions carried out by all PDs during the same period;
* *from the fourth month onwards* : the new PDs are submitted to the same procedure as the other PDs.

AGREEMENT

Each party has executed this agreement in two copies, one of which will be held by the Kingdom and the other by the PD.

THE UNDERLYING AGREEMENT IS SIGNED BETWEEN:

On the one hand, the Belgian State, represented by the Minister of Finance,
Treasury Department
Avenue des Arts, 30
B-1040 Brussels
Belgium

(signature)
The Minister of Finance,

And

on the other hand :

(Legal entity)…….
(Address)……....
(Postal code + City)
(Country)…….

represented by :

(Signature)…… (Signature)……
(Name)…… (Name)……....
(Function)…….. (Function)……...

Original Contract 2: CZECH REPUBLIC
Source:
www.mfcr.cz/cps/rde/xbcr/mfcr/PRIMARY_DEALERSHIP_CONDUCT_2006_pdf.pdf

Conduct of Cooperation and Performance Evaluation of the Activities of Primary Dealers in the Czech Government Bonds

(**Ministry of Finance Instruction No. SD – 1**)

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Introduction

In the name of the Czech Republic, the Ministry of Finance issues government bonds – medium-term and long-term government bonds and treasury bills. The development and support for an effective and liquid domestic bond market is integral part of the Ministry of Finance's debt management policy and stems from the main objective of minimising the economic costs and financial risks of the government financial balance sheet in the long-term perspective. That is why the government debt management policy is propped up by and consistent with operations on the financial market and its further development. Therefore, the Ministry of Finance collaborates with the Czech National Bank and financial market participants in this spirit.

Cooperation with the Primary Dealers in broader sense is developed in accordance with the Financing and Debt Management Strategy, which from the year 2004, the year the Czech Republic joined the European Union, is regularly approved by the Minister of Finance and presented to the general public. The Financing and Debt Management Strategy is prepared in accordance with the Draft Bill on the State Budget for the following year, the Medium-Term Outlook for the State Budget and the Czech Republic's Convergence programme. Since the year 2004, foreign banks, which have a remote access to the primary auctions of government bonds from abroad, have also become members of the Primary Dealers group.

New and systematic quantitative evaluations of the Primary Dealers' activities were introduced at the beginning of 2006 based on the Financing and Debt Management Strategy for 2006. Activity means the participation on the primary and secondary markets of domestic and foreign government bonds and eurobonds and the financial operations with the Ministry of Finance in the management of its financial portfolio. For the evaluation of activities undertaken on the secondary market, the Primary Dealers have to send the Ministry of Finance Report "A" within 5 working days from the actual auction and Report "B" within 15 working days from the end of each quarter.

Activities Reports which are sent by the Primary Dealers keep in with reporting structures used by the eurozone countries, have arisen on the basis of harmonisation within the European Union. The reporting format for the eurozone was created as part of Economic and Financial Committee (EFC), Sub-committee on EU Government Bills and Bonds Markets, in collaboration with the European Primary Dealers Association (EPDA).

On its website and Reuters page, the Ministry of Finance regularly makes public the five best institutions in the Primary Dealers' group of members. Apart from other things, the lead managers and bookrunners of syndicates for public foreign issues are selected exclusively on the basis of these evaluation.

Section I - Primary Dealer's Rights

1. Only Primary Dealers can be direct participants in auctions of medium and long-term government bonds in accordance with the "Rules for the Primary Sale of Medium-Term and Long-Term Government Bonds Organised by the Czech National Bank". A Primary Dealer may concurrently be a direct participant in the primary auctions of treasury bills.

2. A Primary Dealer has the right to make bids in the competitive part of medium and long-term government bonds auctions, i.e. it has an exclusive access to the competitive part of auctions.

3. When the competitive part of a medium and long-term government bonds auction finishes, a Primary Dealer has the right to buy a certain amount of bonds, determined on the basis of purchases in the previous three auctions, for the average price achieved at the auction. A Primary Dealer has exclusive access to the non-competitive part of medium and long-term government bond auctions.

4. A Primary Dealer has exclusive access to reverse auctions in the buy-backs and exchanges of government bonds.

5. A Primary Dealer has the right to participate in the purchases and exchanges of government bonds, which the Ministry of Finance implements in a form other than reverse auctions through the Debt and Financial Assets Management Department.

6. A Primary Dealer has exclusive access to repo operations, lending facilities or other operations with medium and long-term government bonds on the secondary market, which the Ministry of Finance undertakes through the Debt and Financial Assets Management Department.

7. Primary Dealers are the preferred counterparty to the Ministry of Finance in operations with financial derivatives that are undertaken in its debt management through the Debt and Financial Assets Management Department, on the condition that they have signed an ISDA Master Agreement with the Ministry of Finance, including the Schedule in accordance with the Czech Republic Government Resolution No. 1188, dated 25.11.2002.

8. The lead managers and bookrunners of the public issues of gocvernment bonds issued abroad are selected only from the group of Primary Dealers and on the basis of the regular quantitative and qualitative evaluation of their performance on the primary and secondary markets of domestic and foreign government bonds.

9. The Ministry of Finance holds consultations with Primary Dealers and the Czech National Bank in the determination of benchmark issues, when market making is carried out. Further consultations take place when necessary and in accordance with the developments on the capital market.

10. The Ministry of Finance arranges meetings with Primary Dealers at least once each year.

Section II – Primary Dealers Obligations

1. Primary Dealers are obliged to participate in auctions of government bonds on the primary market. Participation and the requirements for it are regulated by the "Rules for the Primary Sale of Medium-Term and Long-Term Government Bonds Organised by the Czech National Bank".

2. Primary Dealers regularly take part in auctions and buy a significant amount of government bonds. A Primary Dealer in medium and long-term government bonds is obliged to subscribe within the evaluation period for at least 3% of the total nominal volume of these bonds that are offered at auctions. The maximum share of the total bids by a Primary Dealer in the competitive part of auction shall be up to 50% of the total auction amount.

3. Primary Dealers make a significant contribution to the creation and maintenance of liquidity on the domestic secondary government bond market. A Primary Dealer's share of the total annual turnover of all the Primary Dealers on the secondary market must be at least 1%.

4. Primary Dealers shall fulfill the role of the market maker in the benchmark issues of government bonds, quote firm prices of bid and offer on the market for their customers and place indicative prices on their screens. They are responsible for the fact that the prices stated by them are in line with the market level. They have to ensure that the prices sent out by them are as close as possible to their own trading prices.

5. A Primary Dealer places government bonds and strips of government bonds with the final investors in the Czech Republic and also abroad. The Ministry of Finance can come to an agreement with the Primary Dealer as to the final placement.

6. Primary dealers comply with reporting duties to the Ministry of Finance by presenting an Activities Report on the primary market within 5 working days of the auction taking place, and a quarterly Activities Report on the secondary market within 15 days of the end of the quarter. Repo operations, buy & sell and sell & buy operations are not counted in the Activities Report. Reports must be checked and signed by a member of the Compliance or Settlement Department and sent off with a digital signature.

7. Primary Dealers provide any other information and analyses where necessary and at the request of the Ministry of Finance.

8. Primary Dealers behave in accordance with the strictest standards of financial and business practices. A Primary Dealer's activities on the Czech Republic's government bonds market must be consistent with the objectives of the Ministry of Finance all the while paying attention, above all, to the maintenance of a productive and liquid market.

Section III – Activities Appraisal and Evaluation of Primary Dealers

The Ministry of Finance continuously appraises the Primary Dealers activities that are anchored in the "Conduct of Cooperation and Performance Evaluation of the Activities of Primary Dealers in the Czech Government Bonds".

It measures their activities according to quantitative criteria, which are aimed at fulfilling their obligations on the primary and secondary markets and in other operations that are agreed upon with the Ministry of Finance.

Qualitative criteria are also taken into consideration, especially co-operation, consultation and compliance with the principles of the standards of financial and business practices and ethical behaviour. This activities evaluation has no influence on the participation of Primary Dealers in government bonds auctions as defined in accordance with the "Rules for the Primary Sale of mid and long-term Bonds organised by the Czech National Bank".

The evaluation results are published throughout the year for each quarter and also at the end of each year a final Annual Evaluation of the Primary Dealer's activities is prepared. The results are published on the Ministry of Finance's website and Reuters page in the form of a list of the five most distinguished Primary Dealers.

Section IV – Criteria for Evaluation

A Domestic Primary Market Participation

A1 Share in the amount of government bonds placed at the primary auctions

A2 Realized share of competitive bids in auctions

A3 Average weighted deviation of bids below the average auction price

A4 Share of realized above-average bids in the total realized auction expenditures

A5 Regularity in competitive bidding (excl. auctions with share below 1.5%)

A6 Share in the amount of Treasury Bills placed at the primary auctions

B Domestic Secondary Market Participation

B1 Government bonds traded volume

B2 Geographical distribution of government bonds (including primary auctions)

B3 Investor type distribution of government bonds (including primary auctions)

B4 Compliance with quoting obligations (spread, quantity, hours daily)

C Eurobonds Secondary Market Participation – New EuroMTS

C1 Monthly average traded volumes (Filler side)

C2 Monthly average traded volumes (Order side)

C3 Price ticks average bid/offer spread

C4 Average number of hours quoted

C5 Percentage compliance with quoting obligations

D Ministry's Operations on the secondary market

D1 Money market operations

D2 Buy-backs or exchange programmes

D3 Derivative operations (savings index including capability to deliver products and pricing)

Section V – Administrative Measures

Appointment as a Primary Dealer

An applicant is appointed as a Primary Dealer by the Ministry of Finance on the basis of fulfilling the requirements stated in "Rules for the Primary Sale of Medium-Term and Long-Term Government Bonds Organized by the Czech National Bank".

Penalties

If a Primary Dealer violates the "Rules for the Primary Sale of Medium-Term and Long-Term Government Bonds Organized by the Czech National Bank" or the "Conduct of Cooperation and Performance Evaluation of the Activities of Primary Dealers in the Czech Government Bonds", he is penalised for it and in particular, his participation in the Primary Dealers Group may be discontinued or he may be expelled from the Primary Dealers Group.

Reporting transactions

Reporting transactions are carried out by way of a Report on Primary Market Activities (type „A") within 5 working days after the auction, or a Report on Secondary Market Activities („type „B") within 15 working days from the end of the quarter. Examples of these Reports are found in annexes to these instructions.

Annex 1 - Example of an Activities Report by a Primary Dealer on the primary market
Annex 2 - Example of an Activities Report by a Primary Dealers on the secondary market
Annex 3 - Explanations and Notes for the preparation of an Activities Report
Annex 4 - Original EFC counterparty definitions

Ing. Bohdan Hejduk
Deputy Minister of Finance

Annex 1

Reporting firm:																	
Security:	BONDS CZ	CZGB3.75/2021															
Date:																	
ACTIVITY REPORT - LIST OF INVESTORS[1]				Kindly send to the Ministry of Finance in 5 business days after auction												(CZK billions)	
	Inter Dealer			**Investor Type**													
Country	Inter Dealer Broker	Primary Dealer	**Sub Total**	State Debt Management Organisation	Central Bank or Other Public Entity	Pension Fund	Insurance Company	Fund Manager	Hedge Fund	Retail	Corporate	Building society	Bank Customer	Mortgage bank	Other	**Sub Total**	**TOTAL**
Czech Republic			0													0	0
Austria			0													0	0
Belgium			0													0	0
Finland			0													0	0
France			0													0	0
Germany			0													0	0
Greece			0													0	0
Italy			0													0	0
Ireland			0													0	0
Luxemburg			0													0	0
Netherlands			0													0	0
Spain			0													0	0
Portugal			0													0	0
UK			0													0	0
Schwitzerland			0													0	0
Scandinavia (Non Euro)[2]			0													0	0
New EU[3]			0													0	0
USA			0													0	0
Canada			0													0	0
LATAM			0													0	0
Japan			0													0	0
Asia (excl. Japan)			0													0	0
Other			0													0	0
TOTAL			0													0	0
Notes:																	
[1] Primary market transactions including those settled on the secondary market after the auction.																	
[2] Scandinavia: Denmark, Norway, Sweden.																	
[3] New EU: 10 accession countries (excluding Czech Republic).																	

Annex 2

Primary Dealer:
Period :

BOND1 COUNTERPARTY TYPE AND LOCATION : Eurozone (CZK billions)

		Inter Dealer			Investor Type														
Country		Inter Dealer Broker	Primary Dealer	Sub Total Inter Dealers	Bank Connected Entity	State Debt Management Organisation	Central Bank Other Public Entity	Pension Fund	Insurance Company	Fund Manager	Hedge Fund	Retail	Corporate	Building society	Bank Customer	Mortgage Bank	Other	Sub Total Customers	TOTAL
Austria	+			0.0														0.0	0.0
	-		1,000.0	1,000.0														0.0	1,000.0
Belgium	+		1,000.0	1,000.0														0.0	1,000.0
	-			0.0														0.0	0.0
Finland	+		1,000.0	1,000.0														0.0	1,000.0
	-			0.0														0.0	0.0
France	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Germany	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Greece	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Italy	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Ireland	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Luxemburg	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Netherlands	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Spain	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Portugal	+			0.0														0.0	0.0
	-			0.0														0.0	0.0

Note :
+ = PD purchases from counterpart
- = PD sells to counterpart

Total +	0.0	2,000.0	2,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,000.0
Total -	0.0	1,000.0	1,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0
Total Turnover	0.0	3,000.0	3,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,000.0
Total Net Sales	0.0	1,000.0	1,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0

Primary Dealer:
Period :

BOND2 COUNTERPARTY TYPE AND LOCATION : Out of the Eurozone (CZK billions)

		Inter Dealer			Investor Type														
Countr		Inter Dealer Broker	Primary Dealer	Sub Total Inter Dealers	Bank Connected Entity	State Debt Management Organisation	Central Bank Other Public Entity	Pension Fund	Insurance Company	Fund Manager	Hedge Fund	Retail	Corporate	Building society	Bank Customer	Mortgage Bank	Other	Sub Total Customers	**TOTAL**
Czech	+		1,000.0	1,000.0														0.0	1,000.0
Republic	-			0.0														0.0	0.0
UK	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
CH	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Scandinsvia	+			0.0														0.0	0.0
(Non Euro)	-			0.0														0.0	0.0
New EU	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
USA	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Canada	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
LATAM	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Japan	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Asia	+			0.0														0.0	0.0
	-			0.0														0.0	0.0
Other	+			0.0														0.0	0.0
	-			0.0														0.0	0.0

Note :
Scandinevia : Denmark, Norway, Sweden
New EU : 10 accession countries

Total +	0.0	1,000.0	1,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0
Total -	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Turnover	0.0	1,000.0	1,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0
Total Net Sales	0.0	1,000.0	1,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0

SCHEDULE Bond 1 + Bond 2

Total +	0.0	3,000.0	3,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,000.0
Total -	0.0	1,000.0	1,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0
Total Turnover	0.0	4,000.0	4,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,000.0
Total Net Sales	0.0	2,000.0	2,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,000.0

Primary Dealer:
Period :

BOND3 COUNTERPARTY TYPE AND MATURITY (CZK billions)

		Maturity (years)							TOTAL
		0 - 1	> 1 - 3	> 3 - 5	> 5 - 7	> 7 - 10	> 10 - 15	> 15	
Inter Dealer									
Inter Dealer	+								0.0
Broker	-								0.0
Primary Dealer	+					3,000.0			3,000.0
	-					1,000.0			1,000.0
Sub Total	+	0.0	0.0	0.0	0.0	3,000.0	0.0	0.0	3,000.0
Inter Dealers	-	0.0	0.0	0.0	0.0	1,000.0	0.0	0.0	1,000.0
Investor Type									
Bank	+								0.0
Connected Entity	-								0.0
State Debt Management	+								0.0
Organisation	-								0.0
Central Bank	+								0.0
Other Public Entity	-								0.0
Pension Fund	+								0.0
	-								0.0
Insurance	+								0.0
Company	-								0.0
Fund Manager	+								0.0
	-								0.0
Hedge Fund	+								0.0
	-								0.0
Retail	+								0.0
	-								0.0
Corporate	+								0.0
	-								0.0
Building society	+								0.0
	-								0.0
Bank	+								0.0
Customer	-								0.0
Mortgage Bank	+								0.0
	-								0.0
Other	+								0.0
	-								0.0
Sub Total	+	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Customers	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note :

+ = PD purchases from counterparty

- = PD sells to counterparty

Total +	0.0	0.0	0.0	0.0	3,000.0	0.0	0.0	3,000.0
Total -	0.0	0.0	0.0	0.0	1,000.0	0.0	0.0	1,000.0
Total Turnover	0.0	0.0	0.0	0.0	4,000.0	0.0	0.0	4,000.0
Total Net Sales	0.0	0.0	0.0	0.0	2,000.0	0.0	0.0	2,000.0

Primary Dealer:
Period :

BOND4 COUNTERPARTY LOCATION AND MATURITY (CZKbillions)

Country		Maturity (years)							TOTAL
		0 - 1	> 1 - 3	> 3 - 5	> 5 - 7	> 7 - 10	> 10 - 15	> 15	
Czech Republic	+					1,000.0			1,000.0
	-								0.0
Austria	+								0.0
	-					1,000.0			1,000.0
Belgium	+					1,000.0			1,000.0
	-								0.0
Finland	+					1,000.0			1,000.0
	-								0.0
France	+								0.0
	-								0.0
Germany	+								0.0
	-								0.0
Greece	+								0.0
	-								0.0
Italy	+								0.0
	-								0.0
Ireland	+								0.0
	-								0.0
Luxemburg	+								0.0
	-								0.0
Netherlands	+								0.0
	-								0.0
Spain	+								0.0
	-								0.0
Portugal	+								0.0
	-								0.0
UK	+								0.0
	-								0.0
CH	+								0.0
	-								0.0
Scandinavia (Non Euro)	+								0.0
	-								0.0
New EU	+								0.0
	-								0.0
USA	+								0.0
	-								0.0
Canada	+								0.0
	-								0.0
LATAM	+								0.0
	-								0.0
Japan	+								0.0
	-								0.0
Asia	+								0.0
	-								0.0
Other	+								0.0
	-								0.0

Note :
Scandinavia : Denmark, Norway, Sweden
New EU : 10 accession countries

Total +	0.0	0.0	0.0	0.0	3,000.0	0.0	0.0	3,000.0
Total -	0.0	0.0	0.0	0.0	1,000.0	0.0	0.0	1,000.0
Total Turnover	0.0	0.0	0.0	0.0	4,000.0	0.0	0.0	4,000.0
Total Net Sales	0.0	0.0	0.0	0.0	2,000.0	0.0	0.0	2,000.0

Primary Dealer:
Period

SYSTEMS: TRADING ACTIVITY BY TRADING SYSTEM
INSTRUMENT

TRADING SYSTEM	BONDS	BILLS	INFLATION LINKED BONDS	STRIPS	FLOATERS	ZERO COUPONS	TOTAL
1. ELECTRONIC							
BROKERTEC	0.0						0.0
HDAT	0.0						0.0
MTS	0.0						0.0
SENAF	0.0						0.0
OTHER INTER DEALER	0.0						0.0
TOTAL INTER DEALER	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BLOOMBERG	3,000.0						3,000.0
BONDVISION	0.0						0.0
REUTERS	0.0						0.0
TRADEWEB	0.0						0.0
OTHER CUSTOMER	0.0						0.0
TOTAL CUSTOMER	3,000.0	0.0	0.0	0.0	0.0	0.0	3,000.0
TOTAL ELECTRONIC	3,000.0	0.0	0.0	0.0	0.0	0.0	3,000.0
+2. NON ELECTRONIC							
TOTAL NON ELECTRONIC	1,000.0						1,000.0
=3. TOTAL TURNOVER							
TOTAL TURNOVER **	4,000.0	0.0	0.0	0.0	0.0	0.0	4,000.0

MTS*	BONDS	BILLS	INFLATION LINKED BONDS	STRIPS	FLOATERS	ZERO COUPONS	TOTAL
EUROMTS	0.0						0.0
MTS AMSTERDAM	0.0						0.0
MTS AUSTRIAN MARKET	0.0						0.0
MTS BELGIUM	0.0						0.0
MTS DENMARK	0.0						0.0
MTS ESPANA	0.0						0.0
MTS FINLAND	0.0						0.0
MTS FRANCE	0.0						0.0
MTS GERMAN MARKET	0.0						0.0
MTS IRELAND	0.0						0.0
MTS ITALY	0.0						0.0
MTS PORTUGAL	0.0						0.0

* split per electronic platform of the global MTS turnover reported above
** Total turnover: total electronic + total non electronic

BONDS

CHECK COUNTRIES

		BOND1/2 CTP Type	BOND4 Maturity	Check Difference
Austria	+	0.0	0.0	OK
	-	1,000.0	1,000.0	OK
Belgium	+	1,000.0	1,000.0	OK
	-	0.0	0.0	OK
Finland	+	1,000.0	1,000.0	OK
	-	0.0	0.0	OK
France	+	0.0	0.0	OK
	-	0.0	0.0	OK
Germany	+	0.0	0.0	OK
	-	0.0	0.0	OK
Greece	+	0.0	0.0	OK
	-	0.0	0.0	OK
Italy	+	0.0	0.0	OK
	-	0.0	0.0	OK
Ireland	+	0.0	0.0	OK
	-	0.0	0.0	OK
Luxemburg	+	0.0	0.0	OK
	-	0.0	0.0	OK
Netherlands	+	0.0	0.0	OK
	-	0.0	0.0	OK
Spain	+	0.0	0.0	OK
	-	0.0	0.0	OK
Portugal	+	0.0	0.0	OK
	-	0.0	0.0	OK
UK	+	0.0	0.0	OK
	-	0.0	0.0	OK
CH	+	0.0	0.0	OK
	-	0.0	0.0	OK
Scandinavia (Non Euro)	+	0.0	0.0	OK
	-	0.0	0.0	OK
New EU	+	0.0	0.0	OK
	-	0.0	0.0	OK
USA	+	0.0	0.0	OK
	-	0.0	0.0	OK
Canada	+	0.0	0.0	OK
	-	0.0	0.0	OK
LATAM	+	0.0	0.0	OK
	-	0.0	0.0	OK
Japan	+	0.0	0.0	OK
	-	0.0	0.0	OK
Asia	+	0.0	0.0	OK
	-	0.0	0.0	OK
Other	+	0.0	0.0	OK
	-	0.0	0.0	OK

CHECK COUNTERPARTY TYPE

		BOND1/2 Country	BOND3 Maturity	
IDB & Bank Inter	+	0.0	0.0	OK
Dealer	-	0.0	0.0	OK
Bank Own Account &	+	3,000.0	3,000.0	OK
Bank Primary	-	1,000.0	1,000.0	OK
Bank	+	0.0	0.0	OK
Connected Entity	-	0.0	0.0	OK
Bank	+	0.0	0.0	OK
Customer	-	0.0	0.0	OK
DMO	+	0.0	0.0	OK
	-	0.0	0.0	OK
Central Bank	+	0.0	0.0	OK
Other Public Entity	-	0.0	0.0	OK
Pension Fund	+	0.0	0.0	OK
	-	0.0	0.0	OK
Insurance	+	0.0	0.0	OK
Company	-	0.0	0.0	OK
Fund Manager	+	0.0	0.0	OK
	-	0.0	0.0	OK
Hedge Fund	+	0.0	0.0	OK
	-	0.0	0.0	OK
Retail	+	0.0	0.0	OK
	-	0.0	0.0	OK
Corporate	+	0.0	0.0	OK
	-	0.0	0.0	OK
Building society	+	0.0	0.0	OK
	-	0.0	0.0	OK
Mortgage Bank	+	0.0	0.0	OK
	-	0.0	0.0	OK
Other	+	0.0	0.0	OK
	-	0.0	0.0	OK

TOTAL TURNOVER

BOND1/2	SYSTEMS	
4,000.0	4,000.0	OK

CHECK MATURITY

		BOND3 CTP Type	BOND4 Countries	Check Difference
0 - 1	+	0.0	0.0	OK
	-	0.0	0.0	OK
1 - 3	+	0.0	0.0	OK
	-	0.0	0.0	OK
3 - 5	+	0.0	0.0	OK
	-	0.0	0.0	OK
5 - 7	+	0.0	0.0	OK
	-	0.0	0.0	OK
7 - 10	+	3,000.0	3,000.0	OK
	-	1,000.0	1,000.0	OK
10 - 15	+	0.0	0.0	OK
	-	0.0	0.0	OK
> 15	+	0.0	0.0	OK
	-	0.0	0.0	OK

Annex 3

Explanations and Notes for the Preparation of a Primary Dealer's Activities Report

There are two types of Activities Reports:

- **Report after each auction – type „A"** (sent within 5 working days after the auction date)
- **Quarterly report on trades undertaken on the secondary market – type „B"** (sent within 15 working days of the end of the relevant annual quarter)

The Report **only** contains details of **direct purchases and sales** and not repo-operations, buy and sell operations, loans and borrowings on bonds, paying off bonds at their maturity, or the stripping and reconstructing of bonds.
The Trade Calendar Date determines that the transaction belongs into the relevant month or quarter.

Information is shown in CZK to one tenth of a decimal point.

Check Totals are generated automatically.

Control of a primary dealer is carried out by means of the Report being approved by the appropriate **compliance or settlement** department, which then **secures it with a digital signature.**

Total Net Sales represents the sum of the total sales and total purchases made by the primary dealer:

- With a certain type of counterparty according to geographical grouping,
- According to the Remaining Life to Maturity and the type of counterparty,
- According to the Remaining Life to Maturity and the geographical grouping.

Remaining Life to Maturity is counted from the date that the trading of the bond actually took place (Trade Value Date).

Geographical Distribution – Czech Republic, individual member countries of the Eurozone, Great Britain, Switzerland, Scandinavia non € (Denmark, Norway, Sweden), new EU countries (apart from the CR), USA, Canada, LATAM (South and Central America), Japan, Asia and others.

Explanation of counterparty types:

1 INTER DEALER

1.1 Inter Dealer Broker

Trade undertaken with a specialist trader in which the primary dealer is not cognizant with the end counterparty to the trade.

1.2 Primary Dealer

i) A Primary Dealer who takes direct part in an auction on the Czech Republic's primary market,

ii) An Assets and Liabilities (of the bank) Management department (ALM), which is a part of the bank – primary dealer,

iii) A subsidiary trading unit of the primary dealer provided that this unit is separated from the section that undertakes the position of Primary Dealer and the presenter of the Activities Report,

iv) companies connected in the same group as the primary dealer as long as they are not directly stated in customer groups (pension fund, insurance company etc.).

Trades undertaken between the internal units ii) to iv), or possibly with others are not included in the Report.

2 CUSTOMER

2.1 Bank Connected Entity

Trades undertaken with bank connected entities in the parent bank group. In particular, this concerns a subsidiary company of the primary dealer or its parent company if it is not possible to include this company into a specific investor category mentioned below.

2.2 State Debt Management Organisation

Trades undertaken on the secondary market directly with the Czech Republic, represented by the Ministry of Finance and carried out through the offices of the Ministry's Debt and Financial Assets Management Department or with the relevant Debt Management institution of another country. It does not include purchases at auctions and through syndicates on the primary market and buy backs by the issuer.

2.3 Central Bank and other Public Entity

Trades with State sector organisations which operate as Fund Managers, including trades with Government and multinational institutions if they are not classified below in the specifically mentioned investors.

2.4 Pension Fund

Trades with State or private Pension Funds.

2.5 Insurance Company

Trades with life insurance and non-life insurance companies.

2.6 Fund Manager

Trades with Investment Funds, Investment companies and Foundations.

2.7 Hedge Fund

If it can be identified as a Hedge Fund; in the case of uncertainty, the counterparty is stated as a Fund Manager.

2.8 Retail

Trades with private banks and other organisations with a banking licence, whose main activity is the administration of the means of private clients; in the case of uncertainty, the counterparty is stated as a Fund Manager.

2.9 Corporate

Trading, holding and industrial companies and their financial branches.

2.10 Building Society

Trades undertaken with Building Societies

2.11 Bank Customer

Trades undertaken with other banks, which do not belong in the parent bank's group and if they are not stated under Retail.

2.12 Mortgage Bank

Trades undertaken with Mortgage Banks.

2.13 Other

Other counterparties that do not fit into any of the above mentioned categories.

Annex 4

Original EFC counterparty definitions

INTER DEALER[12]

01+04 Inter Dealer Broker

01 Inter Dealer Broker

Non- sales person assisted trades between the reporting PD[13] and a non-bank regulated financial intermediary, including central counterparty, electronic and voice brokerage on a non-name give up basis[14].

04 Bank – Inter Dealer

Non-sales person assisted trades between the reporting PD and banks other than those reportable under item 03.

02 +03 Bank Primary Dealer

02 Bank – Own Account

Non-sales person assisted trades between the reporting PD and (i) the ALM department[15] of the bank of which the reporting PD is part of, (ii) a segregated proprietary trading unit[16] of the reporting PD, (iii) companies of the same group of companies[17] as the reporting PD[18] , unless such trades are reportable under items 09 – 14[19].

[12] The distinction between inter-dealer and customer is based on whether the reporting PD involves its internal sales team or not, i.e. trade without sales person = inter-dealer; trade with sales person = customer. The sales team can be involved either by providing the interface between the reporting PD and its counterparty or by earning a sales credit (margin) on the trade.

[13] "reporting PD" means the government bond, back books, primary, swap, option and credit trading units of the bank. The reporting PD does not include the ALM department of the bank, or its segregated proprietary trading units, its branches, subsidiaries and affiliated companies.

[14] The specificity of an Inter Dealer Broker is that it provides the interface between a buyer and a seller and trades in its own name in order to preserve the anonymity of its clients. If an Inter Dealer Broker intervenes only as an intermediary who arranges the contact between two counterparties, the trade is reportable as concluded directly between the reporting PD with its counterparty.

[15] The "ALM department" means the department that manages the balance sheet of the bank, i.e., manages the duration and refinancing risks, and the bank's securities investment portfolio. The reason for reporting the trades done by the reporting PD with its ALM department is that some ALM departments are also trading with banks other than the reporting PD in which case such trades would be reported. The rationale for the reporting of trades done for the bank's own account is that only trades executed by the reporting PD with the market are trades relevant for this counterparty category.

[16] A "proprietary trading unit" is segregated if (i) it is not incorporated within the reporting PD's trading units, i.e., government bonds, back books, primary, swap, option, and credit trading units, (ii) does not report into the head of government bond / rates trading, and (iii) has separate reporting lines from the reporting PD. The same rationale as for the reporting of trades with the ALM department applies to trades done with a segregated proprietary trading unit of the reporting PD.

[17] A company is considered to belong to the same group of companies if it is a branch, subsidiary, affiliate or parent company of the reporting PD.

[18] Other internal trades are not reportable. This includes trades done between the government bond, back books, primary, swap, option and credit trading units of the reporting PD. The reporting PD also does not report trades done by the ALM department of the bank, or its segregated proprietary trading units, its branches, subsidiaries and affiliated companies of the reporting PD with a counterparty other than the reporting PD. The objective in this case is to avoid double counting if the counterpart is another reporting PD. In the case of a "back to back transaction" done between a PD and a company of the same group of companies as the reporting PD (= transaction meant to match a transaction done by i.e. a branch or subsidiary with a customer), the counterparty type and country corresponding to the ultimate buyer or seller of the

03 Bank – Primary Dealer

Non-sales person assisted trades between reporting PDs (including recognised dealers, if applicable) as appointed by the debt management office of the relevant country[20] and identified on the EFC website[21].

CUSTOMER

04 Bank – Connected Entity

Sales person assisted trades between the reporting PD and (i) the ALM department of the bank of which the reporting PD is part of, (ii) a segregated proprietary trading unit of the reporting PD, (iii) companies of the same group of companies as the reporting PD, unless such trades are reportable under items 09 – 14[22].

07 State Debt Management Organization

Sales person assisted trades between the reporting PD and the debt management office of the relevant country on the secondary market. The turnover reported under this caption doesn´t include primary market transactions (auctions, taps, syndications) and buy backs.

08 Central Banks & Other Public Entity

Sales person assisted trades between the reporting PD and all public entities acting as fund managers. Includes trades with sovereigns and supranational institutions unless such trades can be reported under items 9, 10 or 14.

09 Pension Fund

Sales person assisted trades between the reporting PD and private and government pension funds.

10 Insurance Company

Sales person assisted trades between the reporting PD and re-/ insurance companies, and integrated insurance/pension fund managers unless clearly identifiable as "pension fund" under item 9.

11 Fund Manager

Sales person assisted trades between the reporting PD and fund managers including investments funds e.g., asset management companies, mutual funds, real estate investment companies, and foundations.

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security should be reported whenever identifiable. A back to back transaction is reportable only once. In the event the ultimate buyer or seller is not identifiable, the trade is reportable under item "05 – Bank Connected Entity".

[19] The counterparty type "05 - Bank-Connected Entity" applies only when the trades cannot be reported under items 9 to 14. Thus, trades done by the reporting PD with e.g., an affiliated asset management entity are reportable under item "11 - Fund Manager".

[20] "relevant country" means the country of the debt management office to which the reporting PD submits its report.

[21] The EFC's website is accessible at: http://ec.europa.eu/economy_finance/efc_en.htm

[22] The counterparty type "05 - Bank-Connected Entity" applies only when the trades cannot be reported under items 9 to 14. Thus, trades done by the reporting PD with e.g., an affiliated asset management entity are reportable under item "11 - Fund Manager".

12 Hedge Fund

Sales person assisted trades between the reporting PD and hedge funds where identifiable, otherwise reported under item 11.

13 Retail

Sales person assisted trades between the reporting PD and private client banks[23] and private client divisions of reporting PDs and agency brokers or individuals if applicable.

14 Corporate

Sales person assisted trades between the reporting PD and commercial, industrial & holding companies and their financial subsidiaries as part of their investment activities unless reported under item 9, 10, 11 or 12.

06 Bank Customer

e.g.: Sales person assisted trades between the reporting PD and other banks unless the trade is reportable under item 13.

Counterparty Location

The country of legal incorporation determines a counterparty's location. For entities such as branches that may not necessarily be incorporated as a separate legal entity, the counterparty location is determined by the country of incorporation of the head office.

[23] "Private client bank" means any reporting PD's private banking arm and institutions that hold a banking license and the principal business of which is to manage funds held by private individuals. If either of those requirements is not fulfilled, the counterparty is reportable under item "11 - Fund Manager".

Original Contract 3: GREECE

Source:
http://ec.europa.eu/economy_finance/efc/documents/2005/pd/greece_en.pdf

HELLENIC REPUBLIC
MINISTRY OF ECONOMY & FINANCE
SECRETARIAT GENERAL
OF FISCAL POLICY
GENERAL ACCOUNTING OFFICE
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Athens, 31 December, 2003
No.: 2/73093/0023A

JOINT DECISION

THE MINISTER OF ECONOMY & FINANCE **AND** **THE GOVERNOR OF THE BANK OF GREECE**

Subject: **Operating Rules of the Primary Dealers System**

Having regard to:

1. The provisions of Article 26, paragraph 4 of Law 2515/1997/Gazette 154/A'/25.7.97 "On Primary Dealers", as amended by Article 31 of Law 2733/1999/Gazette 155/A'/30.7.99 "Setting up of a New Exchange Market, general provisions on the Stock Exchange, Public Companies and Organisations, the Corinth Canal S.A. and other provisions";

2. The provisions of Law 2628/6.7.98 "Establishment of a Legal Entity of Public Liability under the name Public Debt Management Agency (PDMA) and other provisions" (Gazette 151 A/6.7.1998);

3. The decision No. 2021180/2981/0023/31.3.97 of the Minister of Finance "On costs related to concluding, issuing and servicing etc. of public debt" (Gazette 286/B'/10.4.97);

4. The Bank of Greece Governor's Act No. 161/21.3.2000 "Approval of the Trading Rules of the Electronic Secondary Securities Market (HDAT) and of the Trading Rules of the Electronic Repurchase Agreements Market" as amended by the Act No. 74/13.2.2001;

5. The joint decision No.2023976/2848/0023/15.4.98 of the Minister of Finance and the Governor of the Bank of Greece "Setting up of a Committee of Supervision and Control for the first implementation of the Primary Dealers System", as amended by the joint decisions No. 2/70200/0023/6.10.1999,

2/63981/0023/14.4.2000 and 2/65793/0023A/ 12.11.2001 and 2/76255/0023A/31.12.2002;

6. The joint decision No. 1065956/863/A0006/15-07-2003 (Gazette 985/B/16-07-2003) of the Prime Minister and the Minister of Finance "Entrusting responsibilities to the Deputy Ministers of Finance";
7. The joint decision 2/75515/0023A/20.12.2002 of the Minister of Economy and Finance and the Governor of the Bank of Greece " Operating Rules of the Primary Dealers System" (Gazette 1621/B'/31.12.2002)

8. The pertinent recommendation, of 31.12.2003, of the Committee of Primary Dealers' Supervision and Control to the Minister of Economy and Finance and the Governor of the Bank of Greece;

9. The fact that the provisions of this decision shall not result in additional expenditure for the Budget.

W e d e c i d e

To approve the following Operating Rules of the Primary Dealers System formulated by the Committee of Primary Dealers' Supervision and Control (hereinafter "the Committee"):

A. Operating Rules of Primary Dealers System

Article 1

General

1 As Primary Dealers are appointed institutions authorised as credit institutions or investment firms in a country which is a member of the European Economic Area or authorised as such in another jurisdiction by a regulatory authority which, in the opinion of the Minister of Economy and Finance and the Governor of the Bank of Greece (hereinafter "the Competent Authorities"), imposes an adequate supervisory/investor protection regime. Primary Dealers are selected in order to provide specialised services in the government securities market, i.e., to participate in the syndications and auctions of Greek government securities in the primary market as well as to trade such securities in the organised Electronic Secondary Securities Market (hereinafter "HDAT") at prices that they are obliged to announce.

2. The Primary Dealer status is granted for a calendar year, renewable.

Article 2

Selection Criteria

The selection of Primary Dealers takes place once a year based on the following criteria:

1. To have a minimum net worth of EUR 375 million. For Greek branches of foreign credit institutions, as "net worth" is considered the net worth of their parent in the home country. Subject to the regulations in force on professional confidentiality, the candidates' general capital adequacy shall also be assessed.

2. To have an organised unit (Dealing Room and Back Office) in order to trade efficiently in the securities market and to abide by the obligations of Primary Dealers, in accordance with Article 4 hereof.

3. For the selection of Primary Dealers, the participation in HDAT and EuroMTS shall be taken into account in order of precedence and cumulatively as quantitative criteria. Additionally, the participation in the over-the-counter market, the activity in the respective European markets and the proposals regarding business plans concerning the year to which the selection refers shall be taken into account as qualitative criteria.

Article 3

Change of Selection Criteria

1. Within 20 calendar days before expiry of each calendar year, the Committee shall submit a written recommendation to the Competent Authorities to issue a joint decision amending, if necessary, the selection criteria and shall propose the number and the names of the institutions under Article 1.1 to be granted Primary Dealer status in the following year. For this purpose, the Committee shall evaluate and rank candidates according to their performance in the securities market during the preceding calendar year, on the basis of the applicable selection criteria under Article 2. Such evaluation and ranking shall be attached to the recommendation referred to above.

2. If during any yearly term the total number of Primary Dealers is less than fifteen (15), either due to limited candidacies at the beginning of such term, or due to a Primary Dealers' discharge or resignation pursuant to Articles 6 and 7 respectively, the Committee may consider the applications of other institutions under Article 1.1, in accordance with the selection criteria set during the current year.

Article 4

Primary Dealer Obligations

Primary Dealers are required:

1. To participate actively in the auctions with competitive bids pursuant to Article 17.1.

2. To quote in HDAT, continuously during its trading hours (as defined by the Committee of HDAT Supervision and Control), binding bid and offer prices for securities of minimum nominal value of EUR 5 million per transaction. If prices refer to securities that are traded in other electronic markets as well as in HDAT, such prices must be identical in all markets. Quotes must be displayed in HDAT for the compulsory securities periodically determined by the Committee and proposed to the Competent Authorities.

3. The spread between bid and offer prices for the specified quantity of securities (10 lots, where 1 lot = EUR 500,000) can not exceed 0.07 per cent (7 price basis points) for fixed-rate bonds with remaining maturing within 5 years as well as Treasury bills, 0.10 per cent (10 price basis points) for fixed-rate bonds with remaining maturing between 5 and 11 years as well as

floating-rate bonds regardless of maturity, and 0.15 per cent for fixed-rate bonds with remaining maturing above 11 years. The Committee may periodically revise such spreads. Exceptionally, such spreads shall not be compulsory during periods that normal market conditions (as such term is generally accepted) have ceased to apply. In such case, the Committee convenes immediately in order to set new spreads.

4. a. Concerning HDAT participation, Primary Dealers must observe the following limits:

- Minimum number of quotes per day:	Equal to the number of the compulsory securities assigned to each Primary Dealer
- Maximum time of abstention per day:	One hundred and twenty minutes
- Minimum turn-over in HDAT and EuroMTS:	2% of HDAT and EuroMTS total annual turn-over (duration weighted)
- Minimum amount of accepted bids in primary bond auctions:	2% per year (duration weighted)
- Geographical distribution of securities with respect to the activity in the Primary and the Secondary market (by country and by final user, see Attachment)	Quarterly report by the Primary Dealers (PDs) to be submitted within 10 days after the end of the evaluation period under consideration. The report has to be signed by the Compliance Office or the Back Office. The report will include all transactions (buy and sell side) of all Greek government bonds concluded by the PDs in all countries.

4.b. Primary Dealers Evaluation

Primary Dealers evaluation is carried out according to the following criteria:

i. Trading volume (duration weighted) in the Primary market 25 points

ii. Deviation from the weighted average auction price 5 points

iii. Deviation from the average HDAT market price 5 points

iv. Number of quotes displayed 10 points

v. Abstention time 10 points

vi. Bid-ask spread 15 points

vii. Average daily turnover (HDAT) 15 points

viii. Cumulative turnover (HDAT +EuroMTS) 15 points

The evaluation is obtained by summing up all the points accumulated by each PD with respect to the above criteria and the result is used for the ranking of PDs.

More specifically the calculation of the points for each of the criteria is carried out as follows:

i. Trading volume (duration weighted) in the Primary market (25 points)

i.a Calculation: it is based on the successful, competitive and non-competitive bids submitted by each PD at the auctions (only bond auctions) that take place through the HDAT system. For each successful bid the nominal amount is duration weighted.

i.b Restrictions: the calculation takes into accounts only bond auctions, Treasury-bills auctions are not included.

i.c Scoring: in descending order, the first takes 25 points and all the others take points proportionally to the auction amount subscribed with respect to the amount of the best PD.

ii. Deviation from the weighted average auction price (5 points)

ii.a Calculation: takes into account all the competitive bids, successful and non-successful submitted by the PDs at each auction.

In the case where a PD has submitted only one bid, this will be taken into account.

In the case where a PD has submitted more than one bid, the Weighted Average of those bids (x_i) is calculated as follows:

$$x_i = \frac{x_1 * Q_1 + x_2 * Q_2 + \ldots + x_N * Q_N}{Q_1 + Q_2 + \ldots + Q_N}$$

where: x_1 ,x_2 , …., x_N are the quoted prices in the auction
and Q_1 ,Q_2 ,……., Q_N are the corresponding nominal values.

Then, using the calculated x_i for each PD, the standard deviation (σ) is computed:

$$\sigma = \sqrt{\sum (xi - WAP)^2}$$

where: WAP is the Weighted Average Price of the auction

and the region (WAP – σ/5) to (WAP+σ/5) is defined. Only the x_i that fall in this region are taken into account in the PDs evaluation

ii.b Restrictions: the calculation refers only to the competitive bids in the bond auctions.

ii.c Scoring: the absolute differences of the x_i from the WAP are calculated ($|x_i$ - WAP$|$) – (only for the x_i that are in the region defined above). The differences are ranked in ascending order. The first takes 5 points and all the others take points in an inverse proportion to the difference that they have achieved, with respect to the difference of the best PD. All the PDs having the x_i outside the defined region, take 0 points.

In the case where we have more than one auction in the period under consideration, the final score of each PD consists of his performance in all the auctions, and is calculated as follows:

$$scor = \frac{scor_1 * dur_1 + scor_2 * dur_2 + ... + scor_N * dur_N}{dur_1 + dur_2 + ... + dur_N}$$

where: $scor_1$, $scor_2$, ... $scor_N$ are the scores in each auction
and dur_1, dur_2, …. dur_N are the modified durations of each auction, calculated using the weighted average price of each auction.

iii. Deviation from the average HDAT market price <u>(5 points)</u>

iii.a Calculation: For each auction the following standard deviation (σ_Δ) is calculated:

$$\sigma_H = \sqrt{\sum (x_i - M_H)^2}$$

where: M_H is the Average of the bid prices displayed in the Secondary Market (HDAT) during the last 10 minutes before the auction (11:50 – 12:00) and the x_i are the same as in the previous criterion (ii.a).

Next, the region (M_H– σ/5) to (M_H+σ/5) is defined. Only the x_i that fall in this region are taken into account in the PD evaluation.

iii.b Restrictions: the calculation refers only to the competitive bids in the bond auctions.

iii.c Scoring: the absolute differences of the x_i from the M_H are calculated -($|x_i$ – $M_H|$) – (only for the x_i that are in the region defined above). The differences are ranked in ascending order. The first takes 5 points and all the others take points in an inverse proportion to the difference that they have achieved, with respect to the difference of the b

est PD. All the PDs having the x_i outside the defined region take 0 points.

In the case where we have more than one auction in the period under consideration, the final score of each PD consists of his performance in all the auctions, and is calculated as follows:

$$scor = \frac{scor_1 * dur_1 + scor_2 * dur_2 + ... + scor_N * dur_N}{dur_1 + dur_2 + ... + dur_N}$$

where: $scor_1$, $scor_2$, ... $scor_N$ are the scores in each auction
and dur_1, dur_2, …. dur_N are the modified durations of each auction, calculated using the weighted average price of each auction

iv. Number of quotes displayed (10 points)

iv.a Calculation: average daily number of quotes that are active in the secondary market during the period under consideration. It takes into account all quotes submitted by each PD with the exclusion of the ones for securities that each PD is obliged to quote and the Discount Margins.

iv.b Restrictions:

- As for compulsory securities, quotes have to be displayed during the time period 10:15:00 – 11:00:00 a.m. Note that on-the-run benchmarks, which are amongst the compulsory bonds, have to be quoted all day.

- As for non-compulsory securities, quotes have to be active for at least two hours during each trading day otherwise they will not be taken into account in the calculation (ex. If a quote is submitted at 15:01:00 it will not be accounted for in the evaluation procedure)

- For each quote submitted to HDAT the maximum abstention time is 2 hours (this is considered in a flexible way up to 2 hours and 15 minutes). Note: for compulsory securities, the abstention time is calculated from 11:00:00 a.m. whereas for all the other securities it is calculated from the moment the quote is displayed on HDAT.

iv.c Scoring: in descending order on the basis of the average daily number of quotes of each PD. The first takes 10 points and all the others take points proportionally to their average daily number of quotes and with respect to the average daily number of quotes of the best PD.

v. Abstention time (10 points)

v.a & v.b Calculation - Restrictions: Only quotes referring to on-the-run benchmarks are taken into account. All such quotes have to be active for the whole trading day, with a maximum aggregate abstention time of 30 minutes. For example, if one or more of the PD's quotes for the on-the-run benchmarks are deactivated for an aggregate time of more than 30 minutes, the time exceeding the 30 minutes is considered abstention time for the specific PD.
From the daily abstention time the percentage daily abstention time for each PD is calculated and, on the basis of this, the average percentage abstention time, for the period under consideration.

v.c Scoring: in ascending order on the basis of the average percentage abstention time. The first takes 10 points and all the others take points in an

inverse proportion to their average percentage abstention time with respect to the best PD.

vi. Bid-ask spread (15 points)

vi.a Calculation: the average daily bid-ask spread for each quoted bond and for each PD is calculated. This is used to compute the average daily spread for all the quoted bonds for each PD, ($spread_{avg_daily}$), according to the following formula:

$$spread_{avg_daily} = \frac{\frac{spread_1}{dur_1} + \frac{spread_2}{dur_2} + ... + \frac{spread_N}{dur_N}}{\frac{1}{dur_1} + \frac{1}{dur_2} + ... + \frac{1}{dur_N}}$$

where: $spread_1$, $spread_2$,… $spread_N$ are the daily average bid-ask spreads for each bond
and dur_1, dur_2,… dur_N are the respective modified durations.

Then, the average of the daily $spread_{avg_daily}$ is computed for the period under consideration, ($spread_{P.D.}$)

vi.b Restrictions: only FXD are taken into account for this criterion.

vi.c Scoring: in ascending order on the basis of the spread $_{P.D.}$. The first takes 15 points and all the others take points in an inverse proportion to their spread $_{P.D.}$ with respect to the spread $_{P.D.}$ of the best PD.

vii. Average daily turnover (HDAT) (15 points)

vii.a Calculation: takes into account the average daily market share of each PD on the basis of his daily turnover on HDAT, where the turnover is duration weighted.

In details: every trading day, the total daily HDAT turnover is weighted by the duration of the bonds being traded on that specific day (the same applies to each PD's turnover). Then, for every PD the daily duration-weighted turnover is calculated as a percentage of the total, duration-weighted HDAT turnover. Finally, the average daily turnover of every PD is calculated as an average of those daily percentages for the period under consideration.

vii.b Restrictions: -

vii.c Scoring: in descending order on the basis of the average daily percentage market share of each PD. The first takes 15 points and all the others take points proportionally to their average daily percentage market share with respect to the best PD.

viii. Cumulative turnover (HDAT +EuroMTS) (15 points)

viii.a Calculation: takes into account the percentage market share of each PD on the basis of his turnover on HDAT and on the EuroMTS for the whole period under consideration (from one month and beyond), where the turnover is duration weighted.

viii.b Restrictions: -

viii.c Scoring: in descending order on the basis of the percentage market share of each PD. The first takes 15 points and all the others take points proportionally to their percentage market share with respect to the best PD.

5. To facilitate a broader distribution and trading of Greek government securities domestically as well as internationally.

6. To provide the Ministry of Economy and Finance, the Public Debt Management Agency and the Bank of Greece with information on and assessment of market conditions, and other information pertaining to their status as Primary Dealers.

7. Every six months, the Bank of Greece shall publish in the press the ranking of the Primary Dealers resulting from the implementation of paragraph 4b of this Article and referring to the period elapsed from the beginning of the calendar year.

Article 5

Primary Dealer Rewards

1. Primary Dealers are granted:

   a. The exclusive right to submit before the auction one non-competitive bid pursuant to Article 16.1.

   b. The exclusive right to submit after the auction one additional non-competitive bid pursuant to Article 16.2.

   c. The right to participate in the supervising bodies engaging in ensuring the smooth operation of the securities markets, evaluating the degree of market organisation as well as the performance of Primary Dealers.

   d. Privileged access to information pertaining to the borrowing needs of the Hellenic Republic and issuance planning, new financial instruments and relating operating rules, securities in circulation, volume and turn-over as well as auction results.

   e. Exclusive access to short-term securities lending mechanisms that may be created (besides the automatic securities lending provided by the Bank Of Greece securities settlement System, hereinafter "BOGS") in order to facilitate hedging (short selling).

   f. Privileged access to syndication pursuant to Article 14.

g. Privileged access to liabilities management. The Public Debt Management Agency shall take into account the credit rating of the counterparty with which it shall perform such transactions.

2. The relations of Primary Dealers with the Bank of Greece as well as their activities within the framework of such relations are set by Bank of Greece Governor's Acts.

Article 6

Primary Dealer Discharge

1. If during any term the Committee establishes that a Primary Dealer does not perform its duties or does not any more satisfy the selection criteria (in whole or in part) for any reason, the Committee may once serve such Primary Dealer with a 3-month written notice to comply. Such notice, which shall be communicated to the Competent Authorities, shall explicitly state the specific obligations not fulfilled by the Primary Dealer. In case of non-compliance, not later than 15 days from expiry of the 3-month notice, the Committee shall submit a written report to the Competent Authorities, with a justified recommendation to impose penalties pursuant to Article 12.6, or even to discharge such Primary Dealer. The relevant decision is made by the Competent Authorities.
2. A Primary Dealer's discharge entails loss of re-appointment right in the two succeeding years.
3. A Primary Dealer's discharge shall have no effect on its rights and obligations in respect of contracts concluded on HDAT prior to the effective date of discharge.
4. As regards the renewal of the term of the Primary Dealers in the succeeding calendar year, the ranking of Article 4, paragraph 4b shall be taken into account. The financial institutions occupying at least the last four (4) places shall be subject to review for the Primary Dealer status, with the possibility of immediate removal of the Primary Dealers status. In addition, PDs who do not satisfy the minimum requirements under article 4, paragraph 4a shall also be subject to review for the Primary Dealer status.

Article 7

Primary Dealer Resignation

1. Primary Dealers may resign subject to a 3-month written notice to the Committee.

2. A Primary Dealer's resignation entails loss of re-appointment right in the two succeeding years.

3. A Primary Dealer's resignation shall have no effect on its rights and obligations in respect of contracts concluded on HDAT prior to the effective date of resignation.

B. Electronic Secondary Securities Market (HDAT)

Article 8

General

The principles, the trading rules, the bodies supervising and controlling the HDAT system, the appointment of participants, the method of its linking with the BOGS and any other detail pertaining to its general functions are set by Bank of Greece Governor's Acts.

C. The Committee of Primary Dealers' Supervision and Control

Article 9

General

The supervision and control of Primary Dealers is assigned to the Committee whose term is two years.

Article 10

Members

The Committee is set up by joint decision of the Competent Authorities and consists of 10 members representing the following institutions:

1. Two representatives of the Bank of Greece
2. Three representatives of the Ministry of Economy and Finance, one of which from the Public Debt Management Agency
3. Three representatives of the Primary Dealers
4. One representative of the Dealers
5. One representative of the Hellenic Banks Association

The Committee is presided over by one of the two representatives of the Bank of Greece and decides with a majority of at least seven of its members.

Article 11

Organizational Structure

The Committee is assisted by a Secretariat, comprising representatives of the General Accounts Office, the Public Debt Management Agency and the Bank of Greece, which is responsible for:

1. Administrative support
2. Support of the Committee's projects
3. Processing of statistical data and drafting of reports

Article 12

Responsibilities

The Committee:

1. Evaluates candidate Primary Dealers on the basis of the applicable selection criteria and submits a recommendation pursuant to Article 3.1 to the Competent Authorities who jointly decide on the final selection of the Primary Dealers Group.

2. Evaluates the competence of Primary Dealers as regards their ability to cope with market conditions prevailing from time to time and recommends improving measures.

3. Mediates and recommends conciliatory settlement of disputes arising among Primary Dealers.

4. Determines and periodically recommends objectively the Competent Authorities on Primary Dealers, the maximum spread, the compulsory securities and the respective minimum trade amounts for which Primary Dealers are obliged to quote binding bid and offer prices in HDAT.

5. Sees to the issuance of the daily prices bulletin enabling the interested institutions to evaluate their portfolios in Greek government securities.

6. Ensures discipline and recommends the Governor of the Bank of Greece to impose penalties to Primary Dealers in case of non-compliance with their respective obligations. Exceptionally, in cases of misconduct (collusion, obstruction of free price formation etc. set out in the Code of Conduct for the operation of The Hellenic Money, Foreign Exchange & Securities Markets), discipline shall be ensured by the Ministry of Economy and Finance in co-operation with the Bank of Greece, through any measures that shall be deemed appropriate for re-establishing smooth market operation. Such actions shall be communicated to all the Primary Dealers for information.

7. Sets general rules ensuring transparency of transactions and marketability of Greek government securities.

8. Compiles and processes statistical data required for the evaluation of Primary Dealers' performance in the Greek government securities market, which is quarterly submitted to the Competent Authorities.

9. Maintains and periodically publishes statistical data on market operation, prices, volumes and other information required for the formation of an objective opinion of the Greek Government securities market.

10. Prepares reports on the introduction of new financial instruments (swaps, options etc) in the secondary market and submits relevant recommendations to the Competent Authorities.

D. Syndications and Auctions

Article 13

General

1. To ensure smooth operation of the Greek government securities market and competitive market conditions, in addition to auctions as the principal method of initial offering and re-opening of all securities in the domestic market, syndications may also be employed for the initial offering and exceptionally re-opening of benchmark bonds according to prevailing market conditions and at the full discretion of the issuer (the Hellenic Republic). The above issuance methods do not apply to private placements, savings bonds, equity capital increase or other issues under special laws etc.

2. Auctions shall be held on fixed dates in accordance with the pertinent tentative issuance calendar of the issuer and on terms previously announced. If the method of syndication is to be employed, this shall promptly be announced within the framework of the above calendar.

3. Competitive auction bids under Articles 15 and 16.1 are submitted not later than 12:00 noon (Greek time) on the auction day and the results must be announced to participants by 12:45 on the same day.

4. Additional non-competitive bids after the auction under Article 16.2 are submitted not later than 12:00 noon (Greek time) on the second business day following the auction day and the results must be announced to participants by 12:45 on the same day.

5. Representatives from the Ministry of Economy and Finance, the Public Debt Management Agency, the Bank of Greece, the Hellenic Banks Association and the Primary Dealers shall meet to review prevailing market conditions and to provide the issuer with the information required for the smooth and successful conduct of auctions as well as for bond issues abroad.

Article 14

Participation in Syndications

1. Participation in syndications is open to Primary Dealers. If Primary Dealers reject participation, which shall be submitted in writing, the issuer has the right to approach credit institutions or investment firms other than Primary Dealers.

2. Additionally, the issuer has the right to approach, besides the Primary Dealers, other international credit institutions or investment firms when

concluding foreign-currency denominated loans or when concluding foreign-currency or euro denominated loans for specific purposes under special laws.

Article 15

Participation in Competitive Auctions

Participation in competitive auctions is exclusively open to Primary Dealers who submit no more than 5 bids each. The minimum bid amount cannot be less than EUR 5 million.

Article 16

Participation in Non-competitive Auctions

1. Non-competitive bids may be submitted only by Primary Dealers. The aggregate amount thus offered by the issuer shall not exceed 20% of the auction amount per security category and shall be allotted pro rata to Primary Dealers' non-competitive bids at the weighted average price of all the competitive bids accepted.

2. After the announcement of auction results, but not later than 12:00 noon (Greek time) on the second succeeding business day, Primary Dealers may submit one additional bid in order to acquire securities, at the weighted-average price of all the competitive bids accepted. The aggregate amount of this facility shall equal 20% of the auction amount. If the aggregate nominal amount of additional bids exceeds such percentage, allotment is made pro rata to the weighted average of each Primary Dealer's accepted bids in the three immediately preceding bond auctions. Any undisposed part of this facility shall be allotted equally among interested Primary Dealers.

Article 17

Covering of auction amount

1. All the submitted bids, ranked in descending price order, are either accepted up to the auction amount or the auction is cancelled entirely. The issuer has the right to repeat the cancelled auction.

2. Exceptionally, if prices given for 80% of the auction amount diverge significantly from those given for the remaining 20%, the issuer has the right to accept only 80% of the auction amount.

Article 18

Commissions

In case of payment of commissions, these are determined by decision of the Minister of Economy and Finance.

Article 19

These Rules shall apply as of 1/1/2004 unless otherwise provided in individual Articles hereof. As of such date (1/1/2004) the joint decision No. 2/75515/

0023A/20.12.2002 of the Minister of Economy and Finance and the Governor of the Bank of Greece is abrogated.

THE DEPUTY MINISTER
OF ECONOMY & FINANCE
GEORGIOS FLORIDIS

THE GOVERNOR
OF THE BANK OF GREECE
NICHOLAS GARGANAS

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State of Israel — Government
Ministry of Finance — Debt Management
Accountant General — Unit

LETTER OF APPOINTMENT AS PRIMARY DEALERS IN DOMESTIC GOVERNMENT BONDS

Considering

M.O.F issues IGBs on behalf of the State of Israel.
It is in the best interest of the State of Israel that IGBs be allocated adequately to end-investors, and that market liquidity and transparency in the secondary market be maximized.
With a view to its objectives regarding allocation, transparency and liquidity of IGBs, it is desirable that the State of the Israel be assisted by Primary Dealers in the purchase, trading, promotion and support of IGBs.

Agree

<name> has been accorded the status of Primary Dealer in IGBs, effective from 1.3.2006 up to and including 31.12.2007.
All the documents submitted by <name> to acquire the status of Primary Dealer, shall be deemed to form part of this contract.
For the purposes of this contract, <name>mailing address is as follows:
<name>

Jerusalem…..2005

Ministry of Finance on behalf of the State of Israel,
By:

1. (Authorized Signatory) _____
2. (Authorized Signatory) _____

[Name of Primary Dealer]

By:

1. (Authorized Signatory) _____
2. (Authorized Signatory) _____

State of Israel Government
Ministry of Finance Debt Management
Accountant General Unit

RULES OF PRIMARY DEALERS IN DOMESTIC GOVERNMENT BONDS

The provisions of these rules establish the Ministry of Finance's formal relationship with Primary Dealers and provide a framework of obligations to which Primary Dealers shall adhere to, in order to ensure a high level of professional discipline.

A) DEFINITIONS

1. In this documents, terms shall be understood to have the following meanings:

• **M.O.F**: The Ministry of Finance in Israel on behalf of the State of Israel represented by the Accountant General.
• **ILS**: Israeli shekels.
• **IGBs**: Israel's Government Bonds: public, ILS denominated debt issued by the State of Israel in accordance with general terms and conditions for IGBs and the specific terms and conditions laid down for each issuance.
• **OECD**: The Organization for Economic Co-operation and Development.
• **Primary market**: The issuance of IGBs by the M.O.F.
• **Secondary market**: The trade in IGBs, after issuance by the M.O.F
• **Primary Dealer**: A financial institution which has been nominated by a letter of appointment.
• **Liquid Bond**: An IGB with a principal amount outstanding of at least 4 billion ILS.
• **Israeli Business Day**: A day on which banks are open for general business in Israel.
• **Repo Agreement**: The TBMA/ISMA Global Master Repurchase Agreement (2000 Version) entered into or to be entered into between M.O.F. and the relevant Primary Dealer incorporating an Annex substantially in the form attached to these General Primary Dealer Conditions (see isma.pdf and isma_annex.doc attached).
• **Repurchase Transaction**: Each transaction entered into under a Repo Agreement.

2. Any references to time in these General Primary Dealers Conditions shall be read as references to Israeli time.

B) INSTITUTIONAL REQUIREMENTS

3. A Primary Dealer must be a reputable financial institution which is a bank or a stock exchange member in Israel or a similar foreign financial institution that is supervised by the relevant authorities in an OECD member country. The continued designation as a Primary Dealer, following a change in ownership

structure, including a cumulative change, of 10% or more, is not automatic as such change may have a bearing on the institution's ability to function as a Primary Dealer.

C) CAPITAL REQUIREMENTS

4. Primary Dealers should have at least 500,000,000 ILS (or its equivalent in any other currency) of capital, approved by the M.O.F.
5. Deleted.
6. Deleted.
7. Should a Primary Dealer fail to comply with article 4, the M.O.F should immediately be informed. In such cases the M.O.F may notify the relevant Primary Dealer that the trading relationship with such a Primary Dealer under this contract be discontinued until the minimum capital position is restored or evidence of financial security and standing is provided to the satisfaction of the M.O.F.

D) AUCTIONS

8. It is the intention of the M.O.F. to conduct the primary issuance of IGBs on the Bloomberg Bond Auction system (BAS) or on another international electronic auction system.

9. Tenders are to be submitted electronically using the auction system. Should technical problems arise that prevent one or more Primary Dealers from submitting their bids via the electronic system, the bids will be submitted via other means of communications as will be agreed between the M.O.F and the Primary Dealers. The M.O.F. is not obliged to receive bids outside the electronic system.

10. Auctioning of IGBs will take place based on a schedule of regular auctions, which will be announced to Primary Dealers at the beginning of each month or each quarter, at the discretion of the M.O.F.

11. The M.O.F retains the right, after consultation with the Primary Dealers to amend the procedural conditions pertaining to auctions to ensure orderly, fair and competitive auctions at all times.

12. Primary Dealers are entitled to bid exclusively for 80% of the nominal fixed coupon bonds issued in competitive auctions.

13. Other tradable bonds will be issued in competitive auctions open to all authorized participants, including the Primary Dealers.

14. Invitations to tender will be made via the auction system at least 3 Israeli Business Days prior to the auction and will include the following information:

    - IGBs to be issued
    - amounts (competitive and non-competitive)
    - closing time for bids
    - announcement time of the result of the auction

15. The State of Israel auction convention will be used for the auctions (Discriminative/Multi-Price Auction). Under this system, all successful bids will be allotted at the price of the relevant Primary Dealer's bid in the order of the highest to the lowest bids until the available allotment of the auctioned IGBs is exhausted. The M.O.F reserves the right to change the auction convention after due consultation with the Primary Dealers.

16. Partial allotment will be made in respect of bids (on a prorated basis) that fall within the cut-off range of bids that are accepted, so as to allow the M.O.F to allot the full amount auctioned.

17. Results of auctions will be announced to Primary Dealers via the electronic system within 30 minutes of the close of the competitive auction. The announced results will include the following aggregative information:

    - Total principal amount of bids received
    - Total number of bids received
    - Total number of bids allotted
    - Highest price allotted
    - Lowest price allotted
    - Weighted average price
    - Ratio of allotment at cut-off price.

18. The proceeds for each allotted bond shall be deposited on the day following the auction in an account belonging to the M.O.F., at the Bank of Israel, which will be designated to each Primary Dealer. The bonds will be deposited by the M.O.F at the Tel Aviv Clearing House (TACH) on the day following payment.

19. The M.O.F shall regard errors in auctions, including partial payments, severely. In case a partial payment has been made, the M.O.F retains the sole discretion to either partially allocate the bonds or not to allocate the bonds at all. The M.O.F shall publicize a procedure regarding the handling of errors in auctions.

20. Primary Dealers must participate actively in auctions by bidding at market related prices on a competitive basis. However, a Primary Dealer is not obligated to participate in each and every auction and its activity shall be examined on a periodical basis.

21. Each Primary Dealer shall be required to **purchase** each year any tradable domestic bonds for a total amount which is the smaller of: ILS 2 billion or 5% of fixed-coupon nominal bonds issued during a calendar year period. If a Primary Dealer is appointed during the course of a calendar year, its obligation will be proportionately reduced to the remaining part of the year. The obligation for 2006 is for 10 months i.e. 5/6 of the above figures.

22. Bids in the Primary Dealers auctions are subject to a minimum bid of ILS 10 million, and increments of ILS 1 million.

23. Primary Dealers shall subscribe to or participate in an issue independently of subscription or participation by other Primary Dealers.

24. An additional 15% of the principal amount of IGBs auctioned shall be available to Primary Dealers on a non-competitive basis for a period of 24 hours from the

closing time of the original auction. Noncompetitive bids shall be allocated at the average price of the bonds sold in the competitive auction.

E) SECONDARY MARKET

25. In addition to a Primary Dealer's responsibility to promote a minimum level of demand in the primary market it will be required to provide liquidity to the secondary market by actively trading on the designated inter dealer system and adhering to its obligations, rules and regulations, specified in the Rules of MTS-Israel (MTS-Israelrules.doc attached).

    A. Trading on the system is anonymous.
    B. Transparency – The five best quotes and the transactions would be publicized to the public in real time.

26. Primary Dealers shall promote IGBs, for example, by organizing presentations for, or meetings with, investors.

27. Primary Dealers shall conduct research on IGBs and the State of Israel's economy. Findings shall be made available to clients and to the M.O.F. Primary Dealers shall provide specific research support at the M.O.F's request.

28. Primary Dealers shall in due time and in conjunction with the M.O.F actively promote and develop products related to IGBs, such as repos, swaps and futures contracts in which IGBs are deliverable.

29. Primary Dealers shall inform the M.O.F of developments in the financial markets and specific developments affecting IGBs and related products.

30. OTC quotations: OTC platforms will not be regulated by the M.O.F. In order to ensure transparency in the IGB market a Primary Dealer shall report to the Tel Aviv Stock Exchange (TASE) or to whomever the M.O.F shall designate for that purpose, all OTC transactions by the end of the trading day. The quantity and price shall be publicized daily.

31. Trades executed on the Inter Dealer System shall be settled:

    a. On T+1, where T is the trade date.
    b. Through the Tel-Aviv Clearing House (TACH) and/or another clearing house as will be agreed between the M.O.F. and the Primary Dealers.

32. The TACH shall function as a Central Counter Party (CCP) for all trades transacted on the MTS system. Clearing and settlement of OTC transactions is under the responsibility of both sides of the transaction.

33. The trading fees of the designated inter dealer trading system will be specified in the MTS_fees.doc .

34. Nominal fixed coupon bonds shall be listed for trading on the Inter Dealer System if:

    a. They are Liquid Bonds or are currently issued ("On the run").

b. Their remaining time to maturity is greater than 1 year.

35. The M.O.F after consultation with the Primary Dealers may list for trading on MTS other bonds given that they satisfy the conditions mentioned in article 34. Bonds listed for trading on the MTS shall also be listed for trading in the Tel Aviv Stock Exchange.

36. Initially, quotes are mandatory only for nominal, fixed rate Liquid Bonds whose remaining time to maturity is greater than 1 year.

37. Deleted.

38. Primary Dealers are entitled to exclusive access to the MTS system. MTS shall be open for trading between 09:30 and 18:30 and shall be closed on Sundays. Primary Dealers are under an obligation to quote prices, Mondays through Thursdays for a period of at least 5 hours a day (net) starting no earlier than 09:30 and ending no later than 18:30 (Israel time).

39. Quotation, Trading, and Spread Parameters

Maximum time to maturity	Minimum quote size (ml ILS)	Maximum bid/ offer Spread liquid IGBs	Minimum Trading Quantity (ml ILS)*
3 yrs	5	20	1
6 yrs	5	30	1
10 yrs	5	60	1
15 yrs	5	90	1

* If the remaining quote is less than the minimum trading quantity, execution of a transaction is subject to consent of both sides to the transaction.

Spread: Expressed in ticks where 1 tick represents 0.01 % of the par value of the IGB

F) NON COMPETITIVE BIDDING

40. Following each auction, Primary Dealers are entitled to submit noncompetitive bids (NCBs).

41. Submission of NCBs shall start at the closing of the competitive auction or at another time to be announced by the M.O.F. Submission of NCBs shall end 24 hours later, or at a time to be announced by the M.O.F. NCBs submitted after that period shall not be accepted and shall be cancelled by the M.O.F.

42. NCBs shall be submitted on the electronic auction system or by any other means previously approved and announced by the M.O.F.

43. NCBs shall be accepted by the M.O.F up to maximum amounts per Primary Dealer calculated as follows: the amount allotted to the Primary Dealer in the relevant auction multiplied by 15 percent.
44. NCBs submitted in excess of these amounts shall not be accepted and shall be cancelled.

45. NCBs will be accepted and filled at the weighted average price of the IGB issued at the auction concerned, as announced by the M.O.F following each auction.

46. The M.O.F shall notify Primary Dealers of the acceptance of NCB's and allotment of bonds within 30 minutes of the end of bidding as detailed in article 41.

G) REPO FACILITY

For the avoidance of doubt, capitalized terms defined in the Repo Agreement and used in this Part G shall have the same meanings in this Agreement, except where the context otherwise requires.

47. Primary Dealers are entitled to participate in Repurchase Transactions that the M.O.F shall perform.

48. The Primary Dealers may, pursuant to and in accordance with the Repo Agreement, enter into one or more Repurchase Transactions with the M.O.F. to purchase Liquid Bonds which are traded on the MTS-Israel system, provided that:

The aggregate market value of Liquid Bonds which is the subject of Repurchase Transactions with any one Primary Dealer shall not exceed 500 million ILS (or such greater amount as may be notified by the M.O.F.); it is the intention of the M.O.F. to gradually increase this amount.

49. The Repurchase Transactions shall not be limited in time (subject to art. 51 below) but the Primary Dealer can designate any date as a Repurchase Date by giving notice at that day to the TACH which will be responsible for operating the Repo facility on behalf of the M.O.F.

50. No Repurchase Transactions shall be entered into in respect of any Liquid Bond with maturity of less than 1.25 years.

51. Any Repurchase Transaction will end at the latest once the underlying IGB's remaining maturity is 1 year.

52. The Accountant General shall determine the repo rate on a daily basis and will pay the same rate as interest on cash margin. e.g. If the repo rate is set at 25 basis points less than the existing Bank of Israel Rate then the M.O.F would pay interest on cash collateral at a rate equal to 0.25% less than the Bank of Israel Rate (to a Primary Dealer).

53. The entry by the M.O.F and a Primary Dealer into Repurchase Transactions pursuant to Articles G.47, through G.52 shall be subject to such Primary Dealer and the M.O.F having entered into a Repo Agreement and the Repurchase Transactions shall be governed by that Repo Aggreement.

54. For collateral purposes, all transactions under the Repo Agreement shall be marked to market on a daily basis. Only cash collateral shall be accepted.

55. 55. Non-bank Primary Dealers shall supply the M.O.F. with an autonomous bank guarantee for the maximum aggregate amount of Repurchase Transactions which they intend to transact not exceeding the limit specified in Article 48. This guarantee must be approved by the M.O.F.

H) SUPERVISION BY THE M.O.F.

56. The nature of the supervision activity by the M.O.F will be focused on the fulfillment of the commitments that Primary Dealers have pledged to undertake and their adherence to the Code of Conduct annexed hereto.

57. The M.O.F will closely monitor each Primary Dealer's performance vis-à-vis its commitments to promote a minimum level of demand in the primary market and to provide liquidity in the secondary market as described herein. The M.O.F will take account of the role that a Primary Dealer plays in the market, based on data provided by Primary Dealers, the settlement agent and the inter dealer system.

58. The M.O.F will appraise Primary Dealer performance pursuant to these rules. Primary Dealers are obliged to provide information to that end at the request of the M.O.F. The M.O.F shall treat information provided by Primary Dealers which is not in the public domain confidentially. The M.O.F shall be entitled to publish or make public information at the level of aggregated statistics.

59. Primary Dealers shall treat all information of whatever nature provided by the M.O.F under or in connection with these rules (including for the avoidance of doubt and without limitation, any non-public information relating to the M.O.F) confidential and shall hold such information in strict confidence and will not disclose, copy, reproduce or distribute any of such information or make it available to any person without the M.O.F's specific prior written approval.

60. If any Primary Dealer fails to meet one or more obligations under the Primary Dealer Contract, the M.O.F shall bring that fact to the attention of the Primary Dealer concerned. The M.O.F shall state the period within which the Primary Dealer concerned is requested to comply in full with the obligations. If, at the M.O.F’s discretion, the required improvement is not realized within that period, the M.O.F shall summon and hear the Primary Dealer's explanations, after which the M.O.F has the right to suspend privileges for the Primary Dealer concerned. The M.O.F shall inform the Primary Dealer concerned without delay.

61. It is expected that Primary Dealers will provide the M.O.F with relevant information on essential capital market developments, both in the form of written inputs and through periodic meetings with the M.O.F.

62. The M.O.F. authorizes MTS-Israel, to provide it with market information, both delayed and in real time.

63. The confidentiality undertakings by the M.O.F. and each Primary Dealer in respect of information provided by the other party shall not apply to information which:
    - is in the public domain;
    - is already in lawful possession of the recipient (as evidenced by

written records);

• is required to be disclosed by law, regulation or any governmental or competent regulatory authority (including without limitation, any securities exchange), as long as, and to the extent reasonably practicable, the recipient shall consult with the other party before such disclosure on the proposed form, timing, nature and purpose of such disclosure.

I) APPOINTMENT, DISMMISAL AND RESIGNATION OF A PRIMARY DEALER

64. Any appointment of a Primary Dealer pursuant to this contract may be terminated in writing by the Accountant General of the State of Israel.

65. Deleted.

66. Should a Primary Dealer wish to cancel its appointment, it is required that such a dealer inform the M.O.F in writing of its intention to discontinue its membership and of the date on which it desires its appointment to be terminated, (such date to be no less than 90 Days following the date of the such written notification).

67. A Primary Dealer convicted of a felony under Israeli law (or the equivalent in such Primary Dealer's jurisdiction of incorporation or of any jurisdiction in which it operates) or pleading guilty to a felony under Israeli law (or the equivalent in such Primary Dealer's jurisdiction of incorporation or of any jurisdiction in which it operates) in relation to activities relating directly or indirectly to its relationship with the M.O.F, will jeopardize its position as a Primary Dealer. Depending on the nature of the transgression, a Primary Dealer may be suspended either permanently, or for a period of time which in the discretion of the M.O.F is befitting to the nature of the transgression.

68. In the event of the M.O.F wishing to terminate a Primary Dealer's appointment, the M.O.F will inform it in writing of the intention to cancel its appointment and the date upon which such termination shall become effective.

69. Failure to honor its undertakings, to over time promote a minimum level of demand in the primary market and to make a meaningful contribution to the provision of liquidity to the secondary market will ultimately, at the sole discretion of the M.O.F., result in the termination of the Primary Dealer's relationship with the M.O.F.

J) PERIODIC MEETINGS

70. Primary Dealers are entitled to advise the M.O.F and to participate in meetings, whether in person or by telephone, between the M.O.F and Primary Dealers to discuss developments in the primary and secondary markets.

71. Attendance at quarterly meetings between Primary Dealers and the M.O.F is mandatory.

K) ADDITIONAL ITEMS

72. Primary Dealers have the right to use the title of "Primary Dealer in Government Bonds for the State of Israel".

73. The M.O.F will have the right to publish periodically a comparative rating of Primary Dealers' activity and participation in the primary and secondary markets. The M.O.F will consider, inter alia:

    - Purchases of bonds in the primary market (auctions).
    - Size of quotes, spreads and trading on the MTS-Israel system.
    - Size of quotes, spreads and trading on the TASE, (if relevant), both in IGBs and IGB futures.
    - Participation and contribution in the Primary Dealer forums and committees.

74. Privileges do not apply to, and cannot be extended to, third parties.

75. Primary Dealers shall be entitled to participate in buy-backs and switch auctions that the M.O.F might conduct.

L) Governing law

76. The Primary Dealer Contract is governed by Israeli law. Disputes may be brought exclusively before a competent State of Israel court, in Jerusalem or Tel-Aviv. The contract between Primary Dealers and MTS is governed by English law.

77. Each Primary Dealer agrees to comply with all relevant laws, rules and regulations applicable to it in the context of its appointment as a Primary Dealer under these rules.

Appendix: CODE OF CONDUCT

INTRODUCTION

Aims

1. The aim of this Code is to describe acceptable conduct amongst Primary Dealers. It does not purport to establish acceptable conduct for the rest of the market.

2. Compliance with the Code is necessary to promote public confidence in the integrity of the IGB Market and to encourage liquidity and efficiency throughout these markets.

3. It is recognized that the Code is an evolving document that may change over time subject to consensus between the M.O.F and the Primary Dealers.

Distribution

4. Primary Dealers should offer to make available a copy of the Code to their clients/counter-parties. Clients/Counterparties should be advised that copies of the Code are available from the Primary Dealers or at the M.O.F.'s website.

Compliance, Complaints and Arbitration

5. The M.O.F retains the right to warn, suspend or dismiss a Primary Dealer which has breached this code of conduct.

6. Market related complaints and disputes between Primary Dealers should be resolved through the panel of Primary Dealers. Should this fail, the M.O.F shall be willing, if asked, to arbitrate in disputes between Primary Dealers.

Controls

7. It is essential that management of each Primary Dealer has in place, and reviews regularly, appropriate control procedures that their dealing and other relevant staff must follow.

Know your counter-party

8. It is necessary for a variety of reasons, including firms' own risk management and meeting legal obligations (i.e. on money laundering), for firms to undertake basic "know your counterparty" checks before dealing in any instruments covered by this Code.

Confidentiality

9. Members shall ensure that dealings in the IGB Market with customers are on a confidential basis. The policies and procedures adopted to ensure confidentiality should restrict access to information only to the personnel that require it; to confine trading to restricted office areas and designated personnel and to encourage the use of secure communications and technology (e.g. careful use of cell or speaker phones, secure access to systems and close supervision).

Back up systems

10. Management should ensure that all systems related to primary dealership activities have a proper back up.

11. Management should issue clear guidelines for back up of all data that is relevant to the activity of a Primary Dealer and for all data that may help in resolving a future dispute between the Primary Dealer and other Primary Dealers or clients.

12. Failure to retrieve data will normally count against a firm in a process of arbitration.

After-hours dealing

13. Management should issue clear guidelines to their staff, both on the kinds of deals that may be undertaken after-hours, and on the permitted limits of any such dealing. These should be processed promptly on the next working day.

Conflicts of interest

14. Management should ensure that, where possible, employees of Primary Dealers adhere to an approved personal account trading policy.

Repo Facility

15. The M.O.F. encourages Primary Dealers to sign a TBMA/ISMA or PSA/ISMA Global Master Repurchase Agreement with clients engaging in repurchase transactions.

Membership in the Clearing House

16. The M.O.F. encourages Primary Dealers to become members of the Tel Aviv Clearing House which is the CSD and CCP for IGB's.

Transactions in the Tel Aviv Stock Exchange

17. The M.O.F. encourages Primary Dealers to provide liquidity in the Tel Aviv Stock Exchange, both for IGBs and for government bond futures.

Method of Communication

18. Communication with the M.O.F shall be either through the designated electronic systems and/or telephone/fax.

The initial contact details of the M.O.F. are:
GOVERNMENT DEBT MANAGEMENT UNIT
ACCOUNTANT GENERAL'S OFFICE
MINISTRY OF FINANCE
Address: Kaplan 1, Jerusalem
Israel
Fax Number: +972 2 5317542
Email: gdmu@mof.gov.il

Original Contract 4: POLAND

Source:
http://www.mtspoland.com/content/about/download/regulationsdspw2007_e.pdf

Rules and Regulations Governing the Activities of the Treasury Securities Dealer as of August 8th, 2006

I. General provisions

§1.

These Rules and Regulations determine the principles governing the activities of a Treasury Securities Dealer, and they set in particular:

1) Duties and rights of the Treasury Securities Dealers,
2) Duties and rights of the Minister of Finance,
3) Selection criteria for the Treasury Securities Dealers.

§ 2.

The following terms used in the Rules and Regulations shall mean:

1) **Minister** – the Minister of Finance,
2) **NBP** –the National Bank of Poland,
3) **NDS** –the National Depository for Securities,
4) **MTS-CeTO** – the MTS-CeTO company which operates the MTS Poland market,
5) **TSD** - the entity, with which the Minister concluded the agreement on fulfilling the function of the Treasury Securities Dealer,
6) **Applicant TSD** – the entity which has submitted a TSD application, eligible under the Rules and Regulations and approved by the Minister to participate in the competition,
7) **TS Market Participants Council** – the body consisting of the representatives of TSDs, NBP, NDS and MTS-CeTO. The Council acts as the Minister's advisory panel,
8) **TS** – Treasury Securities offered in the domestic primary market, excluding securities offered in the primary retail market and the DK0809 bond,
9) **MTS Poland** – the form of electronic trading of TS selected by the Minister,
10) **DAI** – the Dealer's Activity Index,
11) **TS fixing** – activities undertaken to set a fixing and informational rates for bid and offer price quotations in accordance with the TS Fixing Regulations determined by NBP in the agreement with the Minister,
12) **Spread** – the difference between bid and offer prices quoted for a TS by TSD or applicant TSD, calculated in accordance with the MTS Poland rules,
13) **Benchmark issues** – TS' issues defined by the Minister, in consultation with the TS Market Participants Council, usually the fixed rate bonds with at least one year maturity and total face value not less than PLN 10.0 billion or on-the-run issues with total face value not less than PLN 2.0 billion,
14) **Ordinance** – Ordinance of the Minister of Finance of June 26th, 2006 on the general terms of issuing of Treasury bonds at auctions (Journal of Laws of 2006 No 113 item 772),
15) **Auction** – the auction under § 14 of the Ordinance,
16) **Non-competitive auction** - the auction under §19 of the Ordinance,
17) **Switching auction** – the auction under §28 of the Ordinance,
18) **Buy-back auction** –the auction under §36 of the Ordinance,
19) **T-bill auction** – the auction and the non-competitive auction under §16 and §20 respectively, of the Ordinance of the Minister of Finance of June 26th, 2006 on the general terms of issuing of Treasury Bills (Journal of Laws of 2006 No 113, item 771),

20) **Settling participant** – an institution which settles the TS transaction concluded by a TSD or an Applicant TSD and has a securities account or a Treasury bill account with the NBP or a security or deposit account with the NDS,
21)**FRA (Forward Rate Agreement)** – the type of transaction concluded in order to hedge an interest rate,
22) **IRS (Interest Rate Swap)** – the type of transaction concluded in order to exchange the interest payments in one currency between two parties,
23) **Entity** - a bank, a credit institution or a financial institution and their branches under the Banking Act of August 29th, 1997 (Journal of Law No 72 item 665 with subsequent changes),
24) **Domestic entity** – an entity referred to in § 2.23 which is seated in the Republic of Poland.
25) **Foreign entity** – an entity referred to in § 2.23 which is seated out of Republic of Poland.

II. Duties and rights of the TSDs

§3.

1. TSDs are obliged to participate in the Treasury bond auctions organized by NBP on behalf of the Minister.

2. TSDs are obliged to purchase not less than 5% of the weighted face value of TS sold at auctions, non-competitive auctions, switching auctions and T-bill auctions within a quarter. The weights are set as following: for TS with maturity less than four years – 0.5, for TS with maturity equal or above four years – 1.5. The last working day of the given quarter is regarded as weights-setting-day for periodical assessment.

3. Non-compliance with the condition referred to in §3.1, shall result in a reduction of the periodical assessment score of the TSD, as referred to in §17.1, by 1 to 5 points.

4. Non-compliance with the condition referred to in §3.2, shall result in a reduction of the periodical assessment score referred to in §17.1, by 1 to 10 points. Repeated noncompliance with this condition may result in an immediate termination of the Agreement on fulfilling the function of the TSD.

5. The score reduction rule referred to in point 3 is set out in point 1 of the Appendix No. 1.

6. The score reduction rule referred to in point 4 is set out in point 2 of the Appendix No. 1.

§4.

1. TSDs are obliged to participate in daily TS fixing sessions organized by NBP and carried out on the MTS Poland in accordance with the TS Fixing Regulations.

2. The list of TS subject to fixing is determined by the Minister.

3. The lack of TS quotations during a fixing session shall result in a given TSD's periodical assessment reduction, as referred to in §17.1, by 1 to 5 points.

4. The score reduction rule referred to in point 3 is set out in point 3 of the Appendix No. 1.

§5.

1. TSD and Applicant TSD are obliged to submit quotations for TS on MTS Poland by presenting the bid and offer prices, in accordance with the rules relevant for MTS Poland, in particular for the benchmark issues. Minimum daily time for quoting of each benchmark issue by given TSD or Applicant TSD is 5 hours.

2. TSD and Applicant TSD are obliged to conclude transactions on the MTS Poland at the price set in accordance with point 1 and with the quoted face value.

3. Nominal value of quotations of the benchmark issues and other TS issues is determined in accordance with the rules relevant for MTS Poland market.

4. Non-compliance with the condition referred to in point 1 shall result in given TSD's periodical assessment reduction as referred to in §17.1 by 1 to 6 points.

5. The periodical assessment reduction rules referred to in point 5 are set out in point 4 of the Appendix No. 1.

6. Information on quotations and transactions on MTS Poland market may be released through the information and news services determined by the Minister in consultation with the TS Market Participants Council.

§6.

TSDs or Applicant TSD are, in addition, obliged to:

1) Duly fulfill their duties resulting from the participation in the depository-settlement systems,
2) Co-operate with the Minister towards further development of the transparent and efficient TS market,
3) Promote wider participation of the non-banking investors mentioned in §2.23,
4) Promote the TS market and other debt instruments.

§7.

1. TSDs are entitled to:

1) Exclusive submission of bids at the Treasury bond auctions,
2) Purchase of TS, at the non-competitive auctions (only for successful bidders at the auction),
3) Exclusive submission of bids at the switching and buy-back auctions,
4) Exclusive submission of bids at the T-bills auctions and T-bills buy-back auctions,
5) Preferences in concluding individual transactions with the Minister concerning:
   a) repo and buy-sell back transactions,
   b) hedging transactions,
   c) private placement transactions,
   d) securities issues on foreign markets,
   e) other financial transactions defined by the Minister.

2. Extent and scale of the preferences mentioned in point 1.5 depend on type of transaction, size of transactions concluded by the Minister in particular segment of the market and extent of TSD's engagement in particular segment of the market. The position taken in the last periodical assessment, as referred to in §17.1., might be taken into account within the preferences for TSDs

3. The key criterion for selection of the counterpart for the transactions mentioned in point 1.5 letter a) concluded on the MTS Poland will be the level of received quotes. In case of equal quotes received from two or more entities, the transaction shall be

concluded with the entity that achieved the higher position in the last periodical assessment, as referred to in §17.

§8.

TSD, during the term of the Agreement on fulfilling the function of the TSD, has exclusive right to use the title of the "Treasury Securities Dealer".

III. Duties and rights of the Minister

§9.

1. The Minister is obliged to draw up a list of benchmark issues and to make a list of TS subject to fixing and to present that information, at least once a year, to the public in the way specified in §19.1.

2. The list of benchmark issues and the list of TS subject to fixing are determined by the Minister, having considered the opinion of the TS Market Participants Council.

3. The Minister is obliged to present an issuance calendar to the public according to following schedule:

   1) once a year - yearly issuance calendar including total amount of issue for Treasury
   bills and bonds and expected bonds auctions dates,
   2) once a quarter - quarterly issuance calendar including particular types of bonds along with range of expected offer,
   3) two days before the auction day - the exact amount of bond offer at the auction.

§10.

1. The Minister is obliged to:

   1) organize TS auctions using an electronic system,
   2) announce TS auction results not later than:
      a) at 12.00 hrs for an auction,
      b) at 12.30 hrs for a switching auction and buy-back auction,
      c) at 14.15 hrs for a non-competitive auction;
   3) perform annual and periodical assessment of TSDs and Applicant TSDs, in accordance with §17,
   4) organize regular meetings with TSDs in order to:
      a) solve subject-matter, organizational and technical problems connected with organization and functioning of the TS market and TSDs system,
      b) discuss issuing policy, plans for financing state budget borrowing needs and financial market conditions.

2. Duties mentioned in point 1.1-2 do not apply to unpredicted events or technical problems which make impossible to organize an auction by the electronic system or announce TS auction results before terms mentioned in point 1.2.

1. When it is impossible to organize an auction using the electronic system the alternative means of data transmitting shall be used.

2. In case of technical problems or other unpredicted events, the Minister announces deadline for auction results publication and information on delay reason. The information shall be published not later than original deadline for auction results announcement.

3. New deadline for auction results announcement shall be published in the way specified in §19.1.

§11.

The Minister and NBP, pursuant to the powers granted under the Agreement on fulfilling the function of the TSD, has right to perform, in bank's or clearing institution's premises, verification of information and data submitted to Minister, NBP and NDS due to fulfilling functions of the TSD. In parallel a TSD authorizes the Minister to undertake other, deemed by the Minister necessary, verification and control actions with regard to the TDS activity connected with its functioning.

§12.

1. In case of default execution of the provisions of the Rules and Regulations the Minister, after prior consideration of TSD clarification, may impose on a TSD a written reminder pointing the reasons behind that move. Unless properly clarified each reminder shall result in TSD periodical assessment reduction, as referred to in §17.1 by 1 to 5 points.

2. In case of gross defaults in TSD functions fulfilling the Minister may dismiss a TSD from its function by means of termination of the Agreement with immediate effect. Information on a dismissal of particular entities from the TSD system shall be pronounced by the Minister in the way specified in §19.1.

3. In case of the termination of the Agreement with immediate effect the Minister may sign the Agreement on fulfilling the function of the TSD with the entity that gained the highest score in the annual assessment during the last competition for a TSD from among the entities that were not granted the status of the TSD. Such an agreement with the entity shall be in force till the end of a given calendar year. Information on signing agreement with new TSD shall be published in the way specified in §19.1.

IV. Principles of selection of Treasury Securities Dealers

§13.

1. The Minister shall arrange a competition for entities that apply for a function of a TSD.

2. Terms for participation in TSD competition for domestic or and foreign entity are:

   1) having the Treasury bill accounts and deposit accounts with NBP and securities accounts and deposit accounts with NDS or pointing the settling participant and consent to provide by that settling participant data on activity of entity applying for TSD on financial markets in extent needed for this entity evaluation in the competition,
   2) submitting a settling participant statement giving consent to provide data on activity of an entity on financial markets and for verification and control these data by the Minister, NBP and NDS in accordance with Appendix No 3.2.,
   3) submitting a statement including the following information:
      a) credit rating,
      b) net capital,
      c) solvency ratio,
      d) trading experiences with Polish Treasury securities, including in particular the data on Polish Treasury securities portfolio and its changes within last 3 years,

e) entity's base of investors with division into: pension funds, investment funds, insurance companies, hedging funds and others investors,

4) participation in MTS Poland or submitting the declaration of joining the MTS Poland in accordance with Appendix No 2.3.

3. Foreign entity that intends to apply for a TSD shall have a similar status in at least one OECD member country.

4. The template of the declaration mentioned in point 2.3 is specified in Appendix No. 2.1.

§14.

1. An entity intending to apply for a TSD should submit to the Minister the written declaration of participation in the TSD competition as well as a statement on fulfilling the conditions mentioned in §13.2 and §13.3 in accordance with the templates provided in the Appendices No. 2.1, 2.2, 2.3, 3.1 and 3.2.

2. The submission of the declaration mentioned above is the basis of assessment initiation of an entity applying for the TSD and means acceptance of obligations specified in §5 and §6 as well as acceptance of terms and conditions specified in §11 and §12.
3. The Minister reserves the right to verify the submitted statements and to reject the declaration in case of not fulfilling the conditions specified in §13.2 and §13.3.

4. In case of not fulfilling the obligations, mentioned in §14.2 and §13.2.4, the Minister may dismiss an entity from the TSD competition.

§15.

1. Each of TSDs or Applicant TSD is the subject to an assessment according to the qualification criteria specified in the Rules and Regulations.

2. The basis of the assessment mentioned in point 1 is the DAI scoring counted as a share of nominal value of TS traded by the TSD or Applicant TSD compared to the total nominal value of TS traded by TSD and Applicants TSD on the particular segments of the market.

Market share:	**Scoring**
from 0.0 up to 1.0% inclusive	0
above 1.0% up to 2.0% inclusive	1
above 2.0% up to 3.0% inclusive	2
above 3.0% up to 4.0% inclusive	3
above 4.0% up to 5.0% inclusive	4
above 5.0% up to 6.0% inclusive	5
above 6.0% up to 7.0% inclusive	6
above 7.0% up to 8.0% inclusive	7
above 8.0% up to 9.0% inclusive	9
above 10%	10

3. Segments of the market and their multipliers are as follows:

Segment of the market	**Multiplier**
1.Transactions on FRA contracts	0.75
2.Transactions on IRS contracts	0.75
3.T-bond futures on the WSE	0.25

4.Repo, sell-buy back and buy-sell back transactions on TS[1]	0.75
5. MTS Poland own price outright transactions on TS*[2]	2.00
6. MTS Poland another entity's price outright transactions on TS*[2]	1.00
7. OTC inter-bank outright transactions on TS*	1.00
8.OTC outright transactions on TS with nonbanking clients*[1]	2.00

** - outright transactions*
1 - transactions concluded on the MTS Poland market are counted doubly,
2- excluding transactions concluded on client's behalf,

4. In the periodical assessment the scoring of the TSD or Applicant TSD represents a sum of points received in each of the market segments referred to in point 3.

5. The scoring of the TSD or Applicant TSD for participation in the given market segment equals the product of basic scoring points for the market share and its respective multiplier with reservation, that the market share in TS traded on market segments referred to in §3 points 5-8 is a weighted share. The weights are set as follows: for TS with maturity less than 3 years – 0.5, for TS with maturity equal to or above 3 years – 1.5. The last working day of the given quarter is regarded as weights-setting-day for periodic assessment.

6. Apart from the DAI, the periodical assessment includes also the assessment of TSD and Applicant TSD (up to 6 points) in respect of cooperation with the Minister, in particular in the following areas:

   a) consultation on financial market functioning,
   b) consultation on issuance policy,
   c) given TSD or Applicant TSD place of business activity.

7. Detailed rules of assessment referred to in point 6 are set out in point 5 of the Appendix No. 1.

§16.

1. The value of TS purchased by a particular TSD, referred to in §3.2, is calculated with regard to the sum of TS purchased by the TSDs. The calculations are made on the basis of NBP and NDS data. Unsettled transactions are not included.

2. The criteria specified in §15.3 point 1 to 2 are calculated on the basis of data provided by TSD or Applicant TSD to the Minister according to the template specified in the Appendix No. 4.1.

3. The criterion specified in §15.3.3 is measured on the basis of data provided by the Warsaw Stock Exchange to the Minister according to template in the Appendix No. 4.2.

4. The criterion specified in §15.3.4 is calculated on the basis of data provided by the:
   1) NDS and NBP with regard to the transactions settled directly through NDS and NBP (according to the Appendix 4.3 a),
   2) Settling participant with regard to the transactions settled by the settling participants (according to the Appendix 4.3 b to c).

5. The criteria specified in §15.3 points 5-6 are calculated on basis of data provided by the MTS-CeTO to the Minister.

6. The criteria specified in §15.3 points 7-8 are calculated on the basis of data provided by:

1) the NDS and the NBP with regard to the transactions settled directly through the NDS and the NBP respectively (according to the Appendix 4.3 a),
2) Settling participant with regard to the transactions settled by the settling participants (according to the Appendix 4.3 b to c),
3) TSD or Applicant TSD being a domestic entity with regard to transactions concluded with non-resident non-banks and foreign banks (according to the Appendix 4.3 d to e)

7. Data referred to in points 2 and 6 are provided by TSD or applicant for TSD to the Minister within 14 days after the end of each month.

8. The criteria specified in §15.3 cover only the settled transactions.

9. The calculation of respective shares is made with accuracy to two decimal places using the following rounding rule:

    a) Downwards – for values lower than 5,
    b) Upwards – for values equal to or higher than 5.

§17.

1. The periodical assessment is made quarterly according to DAI specified in section IV of the Rules and Regulations, and constitutes the sum of points achieved within DAI score, points mentioned in §15.6 and negative points mentioned in §3.3, §3.4, §4.3, §5.4 and §12.1.

2. The annual assessment is calculated as the average of periodical assessments in the period set in the declaration of participation in the competition.

3. The annual assessment score may be lowered pursuant to §3.3, §3.4, §4.3, §5.4 and §12.1, even after the end of the competition but before the announcement of the results.

§18.

1. The Minister shall conclude Agreements on fulfilling the function of the TSD for one year with those Applicants TSD who have achieved the highest scores in the annual assessment.

2. The list of entities, with which the Minister concluded the agreement on fulfilling the function of the TSD, shall be published in the way specified §19.1.

§19.

1. The Minister shall publish the ranking of TSDs in the information networks and in the Ministry of Finance website after completing the periodical or annual assessment and after every change in the list.

2. The Minister shall provide each TSD or Applicant TSD with information that would enable them to estimate their position in the TSD competition; such information shall include in particular the position and the number of points scored in a given quarter of the year during the competition.

V. Transitory and final provisions.

§20.

The Bank Gospodarstwa Krajowego is entitled to participate in the auctions according to the agreement signed with the Minister.

§21.

In case of any changes to the Rules and Regulations the Minister is obliged to inform TSDs and Applicant TSD about them not later than two weeks before they come into effect.

§22.

The Rules and Regulations become effective as of October 1st, 2006.

MINISTER OF FINANCE

Appendix No 1

1. The entity receives negative points, mentioned in §3.3, for an absence at auctions within a quarter as following:
   1) one auction – 1 point,
   2) two auctions – 2 points,
   3) three auctions – 3 points,
   4) four auctions – 4 points,
   5) five and more auctions – 5 points.
2. The entity receives negative points, mentioned in §3.4, when its share of TS purchase in the auctions in a given quarter was as following:
   1) > 4.5% to 5.0% - 1 point,
   2) >4.0% to 4.5% included - 2 points,
   3) >3.5% to 4.0% included- 3 points,
   4) > 3.0% to 3.5% included – 4 points,
   5) > 2.5% to 3.0% included – 5 points,
   6) > 2.0% to 2.5% included – 6 points,
   7) >1.5% to 2.0% included – 7 points,
   8) >1.0% to 1.5% included – 8 points,
   9) > 0.5% to 1.0% included – 9 points,
   10) up to 0.5 % – 10 points.
3. The entity receives negative points, mentioned in §4.3, when its ratio of quotations on the fixing was as following:
   1) > 93% to 95% – 1 point,
   2) > 91% to 93%– 2 points,
   3) > 89% to 91%– 3 points,
   4) > 87% to 89% – 4 points,
   5) up to 87% – 5 points.
4. The entity receives negative points, mentioned in §5.4, when it fulfils duty of submitting benchmark issues quotations on the level:
   1) > 90% to 95% – 1 point,
   2) > 80% to 90%– 2 points,
   3) > 70% to 80%– 3 points,
   4) > 60% to 70% – 4 points,
   5) > 50% to 60% – 5 points,
   6) up to 50% – 6 points.
5. Points mentioned in §15.6 are awarded according to the following rules: The entity is awarded with the points for the cooperation with the Minister in the following areas:
   a) consultation on financial market functioning – 2 points,
   b) consultation on issuance policy – 2 points,
   c) given TSD or Applicant TSD place of business activity in Poland – 2 points.

Appendix No 2.1

(stamp of an entity)

STATEMENT

In accordance with §13.2.3 of the Rules and Regulations, …..*(name of an entity)* declares that at the end of 2005 …..*(name of an entity)* had the:
- credit rating -.....
- equity -.....
- solvency ratio -.....

We commit ourselves to inform the Minister about all changes in our credit rating.
We also inform that value of Polish Treasury bonds portfolio amounted to:
- at the end of June 2006 -.....PLN million,
- at the end of December 2005 - .....PLN million,
- at the end of December 2004 - .....PLN million.

We also inform that at the end of June 2006, *.....(name of an entity)* has the following investor base:
- pension funds - ..... PLN million (value of bonds registered on accounts in our entity),
- investments funds - ..... PLN million (value of bonds registered on accounts in our entity),
- insurance companies- .. PLN million (value of bonds registered on accounts in our entity),
- hedging funds - ..... PLN million (value of bonds registered on accounts in our entity),
- other investors - ..... PLN million (value of bonds registered on accounts in our entity).

(stamps and signatures of persons authorized to represent an entity)
(date)

Appendix No 2.2

(stamp of an entity)

DECLARATION

We hereby declare the intention of participating in the 2008 TSD competition, which shall take place from October 1, 2006 until 30 September 2007. To this end we commit ourselves to obey rules, mentioned in the **Rules and Regulations governing the Activities of the Treasury Securities Dealers** and to the provision of the information mentioned in the Rules and Regulations to the Minister by the NBP and NDS.

We also consent to:

1) the provision of data concerning Treasury securities and Treasury bond futures contracts to the Minister by NBP, NDS, MTS CeTO and Warsaw Stock Exchange,
2) the provision of data necessary to assess entity's credit rating to the Minister by NBP[24],
3) an inspection and verification performed by the Minister and NBP and their authorized representatives during the competition period with regard to obeying the Rules and Regulations and reliability of the reports mentioned in the Rules and Regulations.

We authorize the Minister, NBP and their authorised representatives to perform at our premises verification of information and data provided to the Minister in connection with the TSD competition. To this end …..*(name of an entity)* will make available all information necessary for this verification. In addition …..*(name of an entity)* authorizes the Minister, NBP and their authorized representatives to undertake other necessary verification and inspection measures concerning entity's activity related to the TSD competition.

We consent to undergo an assessment of fulfilling the above-mentioned tasks performed by the Minister and its representatives, and to accept the annual assessment mentioned in the Rules and Regulations as the entity's assessment achieved in the course of the TSD competition.

(stamps and signatures of persons authorized to represent an entity)
(date)

[24] Refers only to the domestic entities.

Appendix No 2.3

(stamp of an entity)

STATEMENT

We hereby declare that *(name of an entity)* within 3 month from the beginning of 2008 TSD competition will become the participant of MTS Poland market as a market maker.

(stamp and signature of persons authorized to represent an entity)
(date)

Appendix No. 3.1

(stamp of an entity)

STATEMENT
We hereby inform that transactions of ……*(name of an entity)* involving Polish Treasury securities are settled by…… *(name of a settling participant*).

We consent to the provision of data, to the Minister – by the settling participant, concerning *(name of an entity)* activity on the financial market in order to assess its performance as required by the rules of the TSD competition.

(stamp and signature of persons authorized to represent an entity)
(date)

Appendix 3.2

(stamp of a settling participant)

STATEMENT

We hereby inform that ……*(name of a settling participant)* is the settling participant for TS transactions concluded by…..*(name of an entity).*

We will provide the data concerning activity of …..*(name of an entity)* on financial market for the purpose of its assessment required for the TSD competition.

We authorize the Minister, NBP and NDS representatives to perform at our premises verification of information and data provided to the Minister in connection with the TSD competition.

(stamp and signature of persons authorized to represent the settling participant)
(date)

Appendix No 4.1

FRA and IRS trading by ..... (*name of TSD or Applicant TSD*) during a month.....

nominal value, in PN

No.	Type of Contract	Bought*	Sold	Total Turnover
1				
2				

* IRS and FRA bought defined as fixed rate receiver
Note: this table is filled out by TSD or Applicant TSD or NBP (for entities which reports to NBP)

Appendix No 4.2
T-bonds futures trading ..... *(name of TSD or Applicant TSD) during a month .....*

No	Name of the entity	Code of the WSE member	Volume of trading	Share in total trading (%)
1	AAA			
2	BBB			
3	CCC			
…				
N	NNN			
	TSD total			
	Total			

Note: this table is to be filled out by the Warsaw Stock Exchange

Appendix No 4.3 a

T-bonds/bills trading on the secondary market (excluding MTS Poland) by ..... (*name of TSD or Applicant TSD)* during a month .....

nominal value, in PLN

No.	Type of transactions	Total turnover (4+5+6)	Transactions with domestic banks	Transactions with non-banking domestic clients	Transactions with non-residents
	2	3	4	5	6
1	Total turnover on the secondary market (2+3+4+5)				
	PL00001xxxxx				
	...				
	...				
	...				
	Total				
2	repo transactions				
	PL00001xxxxx				
	... ... Total				
3	buy-sell back i sell-buy back transactions				
	PL00001xxxxx				
	...				
	...				
	...				
	Total				
4	outright transactions				
	PL00001xxxxx				
	...				
	...				
	... Total				
5	other transactions PL00001xxxxx ...				
	...				
	...				
	Total				

* transactions, in which the TSD or Applicant TSD is a part of the settlement (transactions settled on own account)

Note this table is to be filled out by NDS for transactions on T-bonds and NBP for transactions on T-bills

Appendix No. 4.3 b

T-bonds trading on the secondary market (excluding MTS Poland) by ..... (name of TSD or Applicant TSD) during a month .....

nominal value, in PLN

No.	Type of transactions	Total turnover (4+5+6+7)	Transactions with domestic banks	Transactions with non-banking domestic clients	Transactions with foreign banks	Transactions with non-banking non-residents clients
	2	3	4	5	6	7
1	Total turnover on the secondary market (2+3+4+5)					
	PL00001xxxxx					
	...					
	...					
	...					
	Total					
2	repo transactions					
	PL00001xxxxx					
	Total					
3	buy-sell back i sell-buy back transactions					
	PL00001xxxxx					
	...					
	...					
	...					
	Total					
4	outright transactions					
	PL00001xxxxx					
	...					
	... ... Total					
5	other transactions					
	PL00001xxxxx					
	...					
	...					
	...					
	Total					

* transactions, in which TSD or Applicant TSD is a part of the settlement (transactions settled on own account)

Note: This table is to be filled out by settling participant - on the transactions settled not directly in NDS

Appendix No. 4.3 c

T-bills trading on the secondary market (excluding MTS Poland) by ..... (name of TSD or Applicant TSD) during a month .....

nominal value, in PLN

No.	Type of transactions	Total turnover (4+5+6+7)	Transactions with domestic banks	Transactions with non-banking domestic clients	Transactions with foreign banks	Transactions with non-banking non-residents clients
	2	3	4	5	6	7
1	Total turnover on the secondary market (2+3+4+5)					
	PL0000 1xxxxx					
	...					
	...					
	...					
	Total					
2	repo transactions					
	PL0000 1xxxxx					
	Total					
3	buy-sell back i sell-buy back transactions					
	PL0000 1xxxxx					
	...					
	...					
	...					
	Total					
4	outright transactions					
	PL0000 1xxxxx					
	...					
	... ... Total					
5	other transactions					
	PL0000 1xxxxx					
	...					
	...					
	...					
	Total					

* transactions, in which TSD or Applicant TSD is a part of the settlement (transactions settled on own account)

Note: This table is to be filled out by settling participant - on the transactions settled not directly in NBP

Appendix No. 4.3 d

T-bonds trading on the secondary market (excluding MTS Poland) by ..... (*name of TSD or Applicant TSD*) during a month .....

nominal value, in PLN

No.	Type of transactions	Transactions with foreign banks	Transactions with non-banking non-residents clients
1	Total turnover on the secondary market (2+3+4+5) PL00001xxxxx		
	Total		
2	repo transactions		
	PL00001xxxxx		
	...		
	...		
	...		
	Total		
3	buy-sell back i sell-buy back transactions		
	PL00001xxxxx		
	Total		
4	outright transactions		
	PL00001xxxxx		
	...		
	...		
	...		
	Total		
5	other transactions		
	PL00001xxxxx		
	...		
	... ... Total		

* transactions, in which TSD or Applicant TSD is a part of the settlement (transactions settled on own account)

Note: this table is to be filled out by TSD or Applicant TSD on transactions settled directly in NSD

Appendix No. 4.3 e

T-bills trading on the secondary market (excluding MTS Poland) by ..... (*name of TSD or Applicant TSD*) during a month .....

nominal value, in PLN

No.	Type of transactions	Transactions with foreign banks	Transactions with non-banking non-residents clients
1	Total turnover on the secondary market (2+3+4+5) PL00001xxxxx		
	Total		
2	repo transactions		
	PL00001xxxxx		
	...		
	...		
	...		
	Total		
3	buy-sell back i sell-buy back transactions		
	PL00001xxxxx		
	Total		
4	outright transactions		
	PL00001xxxxx		
	...		
	...		
	...		
	Total		
5	other transactions		
	PL00001xxxxx		
	...		
	... ... Total		

* transactions, in which TSD or Applicant TSD is a part of the settlement (transactions settled on own account)

Note: this table is to be filled out by TSD or Applicant TSD on transactions settled directly in NBP