



MAY

**Secondary
Market of
Government
Securities**

1999

Contents

| | |
|---|----|
| Government Securities Interbank Market | 3 |
| Sales of Government Securities to Nonbank Financial Institutions, Companies and Individuals | 14 |
| Sales of Government Securities Issued for Structural Reform for Participation in Privatization Transactions | 22 |
| Government Securities Primary Dealers and Reuters Pages for Government Securities Quotations | 24 |
| Tariff on the Fees and Commissions Charged on Government Securities Transactions | 25 |

Abbreviations

BGL – National Currency of the Republic of Bulgaria

BIR – Base Interest Rate

BNB – Bulgarian National Bank

CGB – Central Government Budget

CM – Council of Ministers

DISCs – Discount Bonds

FLIRBs – Front-loaded Interest Reduction Bonds

IABs – Interest Arrears Bonds

LSPDACB – Law on State Protection of Deposits and Accounts with Commercial Banks in respect whereof the BNB Has Petitioned

the Institution of Bankruptcy Proceedings

MF – Ministry of Finance

SII – State Insurance Institute

ZUNK – Bulgarian Abbreviation of the Law on Settlement of Nonperforming Credits Negotiated prior to 31 December 1990 (LSNC)

GOVERNMENT SECURITIES INTERBANK MARKET

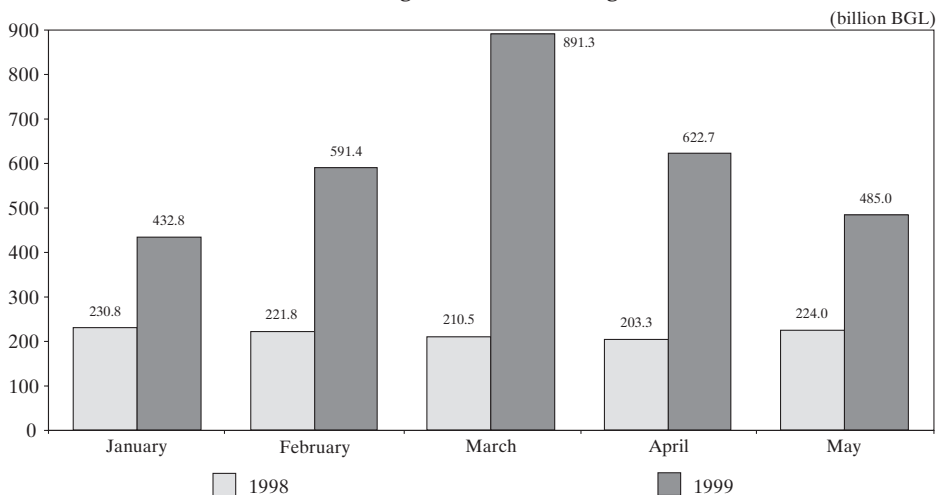
Interbank Market of Government Securities Issued under Regulation No. 5 of 1998 and Target Issues

In May 1999 financial institutions concluded 337 transactions in government securities (including the number and volume of reverse repurchase agreements) issued for budget deficit financing, totaling BGL 484,947.3 million nominal value, a two-fold increase compared with the same period of the previous year. In May 1998 transactions of BGL 224,027.3 million nominal value were registered, Chart 1.

Over the period under review the volume of secondary market transactions in government securities between primary dealers issued under Regulation No. 5 of 1998 (reverse repo agreements volume excluded) totaled BGL 272,850.9 million, including three-month treasury bills of BGL 5,639.6 million, six-month of BGL 7,243.6 million, twelve-month of BGL 147,680.7 million, two-year of BGL 84,057 million and up to five years of BGL 28,230 million (Chart 2). In May sales in government securities decreased compared with the previous month; structurally, demand for twelve-month

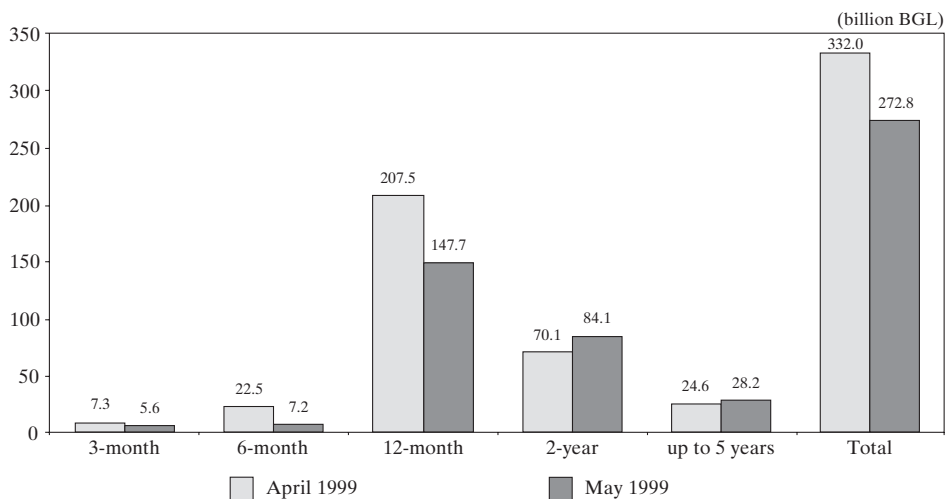
Chart 1

Volume of Transactions in Government Securities Issued for Budget Deficit Financing



Source: BNB.

Structure of Transactions in Government Securities Issued for Budget Deficit Financing



Source: BNB.

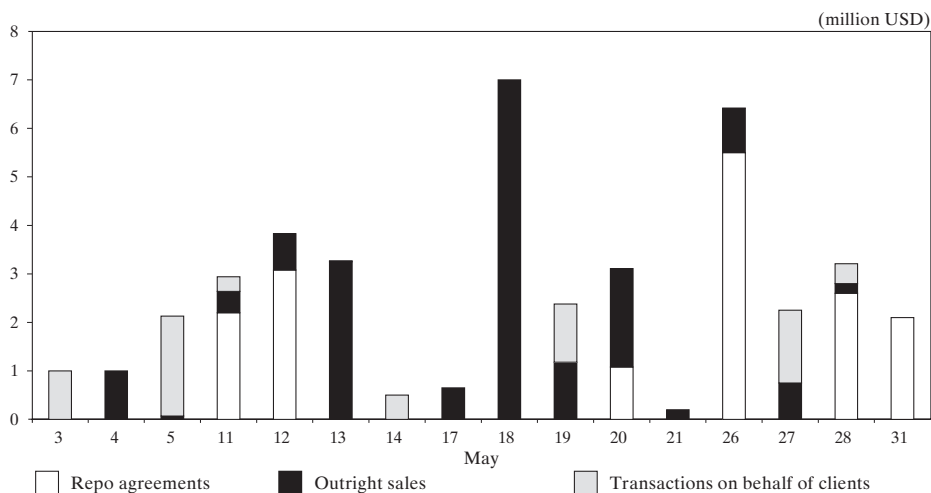
treasury bills occupied the largest share.

In May 1999 secondary market transactions on behalf of clients (i. e. under Article 20 of Regulation No. 5 of 1998) significantly increased from the previous month, reaching BGL 5,812.8 million. Transactions between nonprimary dealers and physical or legal persons (i. e. transactions under Article 21 of Regulation No. 5 of 1998) decreased compared with April, reaching BGL 112.7 million. The volume of transactions between primary and nonprimary dealers (under Article 14 of Regulation No. 5) rose from April, amounting to BGL 54,789.3 million, including bids approved at the government securities auctions on behalf of nonprimary dealers of BGL 7,271.9 million.

Interbank Market of Government Securities Issued as a Result of Structural Reform

In May financial institutions concluded 63 transactions in USD-denominated government securities issued as a result of structural reform, totaling USD 41.9 million nominal value (including the number and volume of reverse repurchase agreements). In May, 38 outright transactions of USD 18.4 million, 15 repo agreements of USD 16.5 million, and 10 transactions on behalf of clients of USD 7 million (under Articles 14, 20 and 21 of Regulation No. 5) were concluded. Twenty three transactions of USD 14.1 million and two transactions of BGL 373.3 million were concluded

Volume of Transactions in USD-denominated Government Securities in the Interbank Market



Source: BNB.

pursuant to Article 14, para. 6 of Regulation No. 5.

Twelve transactions of BGL 1,609.3 million were concluded in lev-denominated government securities. No transactions in foreign currency guaranty government securities were registered in May.

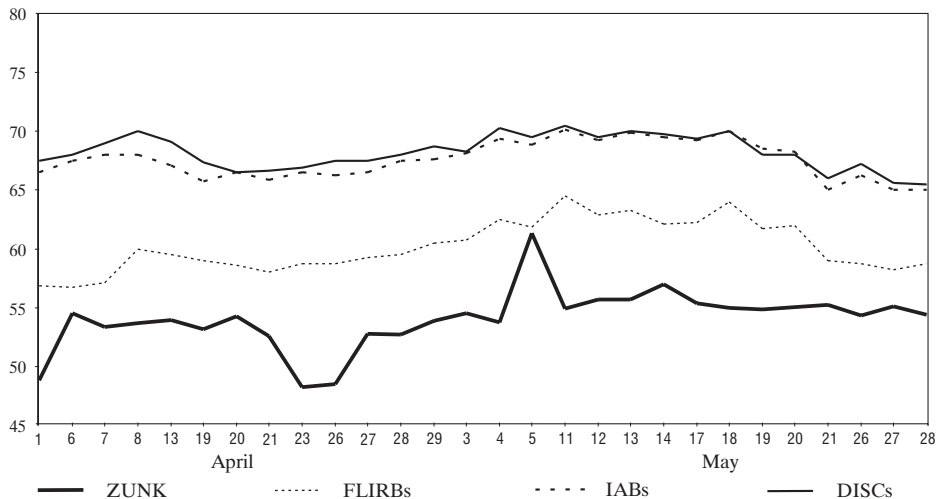
A slight decrease in forex ZUNK bonds sales was reported in May; sales volumes were unevenly distributed in May. Interbank market prices increased from the previous month and ranged between USD 53.5 and USD 62 per USD 100 nominal value. They did not reflect price movements in Bulgarian Brady bonds in the international markets. Dramatic price increases on 5 and 27 May were due to the specific transactions

made in the market and did not reflect market situation during the period under review. Prices of outright transactions for participation in privatization were traditionally higher than those in the interbank market.

Government Securities Repo Agreements in the Interbank Market

In May the volume of repo agreements traded in the secondary interbank market was uneven (Chart 5). The high was registered on 26 May 1999, when bank demand for funds increased, consistent with the forthcoming deadline for the regulation of minimum required reserves. On the same date interest rates on interbank deposits significantly in-

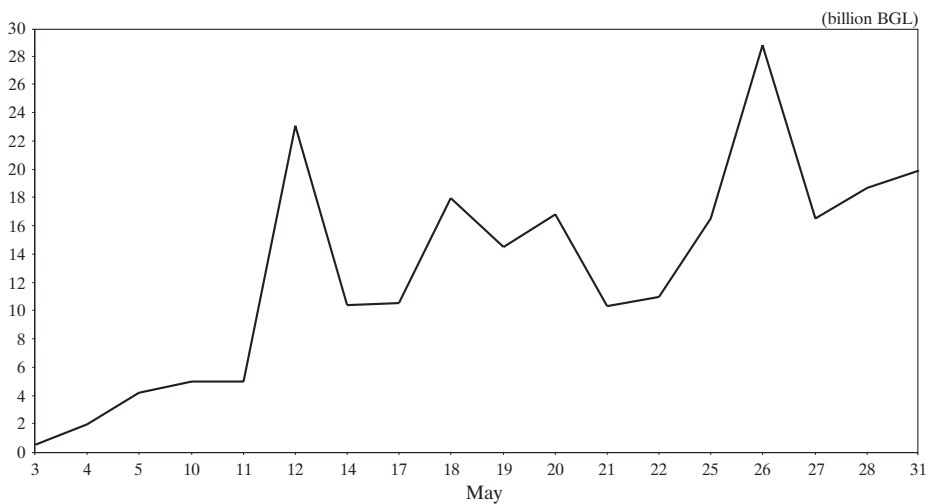
Price Movements of USD-denominated Government Securities (Issued under ZUNK) and Bulgarian Brady Bonds in the Interbank Market*



* Reuters offer quotations for Brady bonds.

Sources: BNB, Reuters.

Volume of Repo Agreements in the Secondary Interbank Market



Source: BNB.

**Prices of Transactions in USD-denominated Government Securities
Issued under Article 5 of ZUNK**

(USD)

| Date May | Price | | |
|----------------|--------------|--------------|------------------|
| | Minimum | Maximum | Average weighted |
| 3 | 54.50 | 55.00 | 54.55 |
| 4 | 53.50 | 54.00 | 53.75 |
| 5 | 55.00 | 62.00 | 61.34 |
| 11 | 54.13 | 55.50 | 54.92 |
| 12 | 55.55 | 58.00 | 55.72 |
| 13 | 55.49 | 57.95 | 55.68 |
| 14 | 57.00 | 57.00 | 57.00 |
| 17 | 53.50 | 57.00 | 55.34 |
| 18 | 54.50 | 57.50 | 55.01 |
| 19 | 54.75 | 55.50 | 54.86 |
| 20 | 55.01 | 55.45 | 55.02 |
| 21 | 55.25 | 55.25 | 55.25 |
| 26 | 53.50 | 56.00 | 54.31 |
| 27 | 54.00 | 60.50 | 55.12 |
| 28 | 54.09 | 59.50 | 54.40 |
| 31 | 55.00 | 55.00 | 55.00 |
| Monthly | 53.50 | 62.00 | 59.15 |

Note: Data is based on privatization and outright transactions registered by the BNB.

Quotations of Bulgarian Brady Bonds*

| Date May | DISCs | | FLIRBs | | IABs | |
|-------------|-------|-------|--------|-------|-------|-------|
| | Offer | Bid | Offer | Bid | Offer | Bid |
| 3 | 68.25 | 68.00 | 60.75 | 60.50 | 68.13 | 67.13 |
| 4 | 70.25 | 69.50 | 62.50 | 60.63 | 69.38 | 68.50 |
| 5 | 69.50 | 69.25 | 61.88 | 61.38 | 68.88 | 67.75 |
| 6 | 70.50 | 70.00 | 63.13 | 62.00 | 72.00 | 69.25 |
| 7 | 71.00 | 70.50 | 64.50 | 63.50 | 70.88 | 69.88 |
| 10 | 71.25 | 70.63 | 64.00 | 63.00 | 71.13 | 70.13 |
| 11 | 70.50 | 69.50 | 64.50 | 63.50 | 70.13 | 69.25 |
| 12 | 69.50 | 68.75 | 62.88 | 62.00 | 69.25 | 68.00 |
| 13 | 70.00 | 69.63 | 63.25 | 63.00 | 69.88 | 69.25 |
| 14 | 69.75 | 69.63 | 62.13 | 62.00 | 69.50 | 68.50 |
| 17 | 69.38 | 69.13 | 62.25 | 61.50 | 69.25 | 68.25 |
| 18 | 70.00 | 68.00 | 64.00 | 61.50 | 70.00 | 68.50 |
| 19 | 68.00 | 67.75 | 61.75 | 61.50 | 68.50 | 67.25 |
| 20 | 68.00 | 67.13 | 62.00 | 60.63 | 68.25 | 67.25 |
| 21 | 66.00 | 63.00 | 59.00 | 55.00 | 65.00 | 63.00 |
| 24 | 66.13 | 65.88 | 60.25 | 60.00 | 64.75 | 64.13 |
| 25 | 64.88 | 64.38 | 57.75 | 57.25 | 65.25 | 64.25 |
| 26 | 67.25 | 66.50 | 58.75 | 58.25 | 66.25 | 65.25 |
| 27 | 65.63 | 65.13 | 58.25 | 57.25 | 65.00 | 63.75 |
| 28 | 65.50 | 64.75 | 58.75 | 57.00 | 65.00 | 63.75 |

* Reuters quotations.

Volume and Structure of Government Securities Secondary Market Transactions in May

| | |
|---|--------|
| 1. Volume of transactions in government securities denominated in levs (billion BGL nominal value) | 274.06 |
| - repo agreements* | 226.71 |
| - outright sales | 47.35 |
| - privatization transactions | - |
| 2. Volume of transactions in government securities denominated in US dollars (lev equivalent, billion BGL) | 52.03 |
| - repo agreements* | 17.12 |
| - outright sales | 33.78 |
| - privatization transactions | 1.13 |
| 3. Number of secondary market transactions | 269 |
| - repo agreements** | 129 |
| - outright sales | 113 |
| - privatization transactions | 27 |
| 4. Average term of secondary market repo agreements (days) | 7.30 |
| 5. Average monthly yield (simple interest) on secondary market repo agreements depending on the term (%) | |
| 1 day | 0.21 |
| from 2 to 3 days | 0.22 |
| from 4 to 7 days | 0.23 |
| up to 1 month | 0.27 |

* *Volume of reverse repo agreements excluded.*

** *Number of reverse repo agreements excluded.*

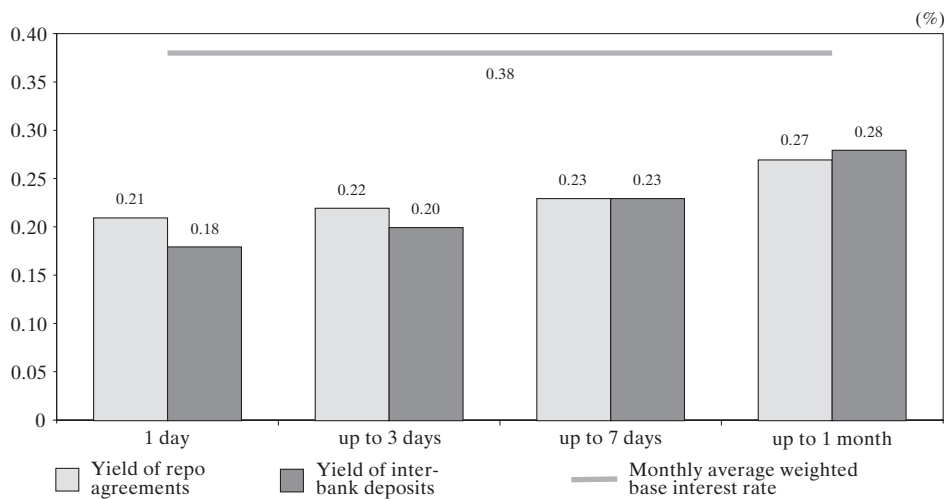
creased. The volume of traded deposits indicated a low on 3 May due to injection of liquidity into banks related to government securities interest and maturities.

In May the yield of repo agreements reflected weekly insignificant changes in the base interest rate; May saw a further increase in the average term of repo agreements (in terms of days) and a significant increase in the volume of government securities sales. The yield of repo agreements in government securities of one-day and up to three days maturity was higher than the yield of inter-

bank deposits of the same maturity, while the yield of repo agreements in government securities of up to one month was insignificantly lower than the yield of interbank deposits; the yield of repo agreements of up to seven days was equal to the yield of interbank deposits of the same term (Chart 6). As in April, May saw a lower trade in the interbank secondary market, which was particularly stronger on the days of acquiring new issues and during regulation of minimum required reserves with the BNB.

Chart 6

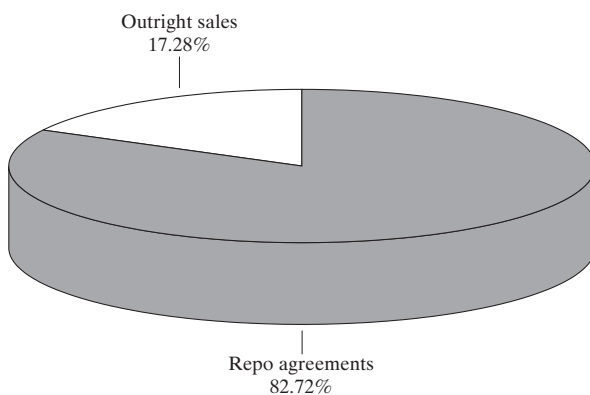
Yield of Repo Agreements in Government Securities and Interest Rate on Interbank Deposits on a Monthly Basis (May)



Source: BNB.

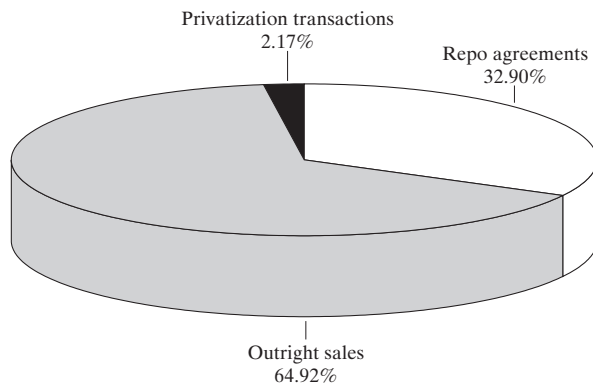
Chart 7

Structure of Secondary Market Transactions in Lev-denominated Government Securities in May



Source: BNB.

Structure of Secondary Market Transactions in USD-denominated Government Securities in May



Source: BNB.

Volume and Yield of Deposits in the Interbank Market and Repo Agreements in Government Securities

| | 1 day | | from 2 to 3 days | | from 4 to 7 days | | from 8 to 30 days | | over 30 days | | Total |
|-------------------|--------|-------|------------------|-------|------------------|-------|-------------------|-------|--------------|-------|--------|
| | Volume | Yield | Volume | Yield | Volume | Yield | Volume | Yield | Volume | Yield | Volume |
| 3.05.1999 | | | | | | | | | | | |
| Deposits | 8350 | 2.16 | | | | | 2090 | 3.57 | | | 10440 |
| Repo agreements | | | | | 480 | 2.84 | | | | | 480 |
| 4.05.1999 | | | | | | | | | | | |
| Deposits | 9400 | 1.69 | | | 6500 | 2.27 | 1200 | 2.78 | | | 17100 |
| Repo agreements | 1000 | 2.03 | | | | | 1000 | 2.74 | | | 2000 |
| 5.05.1999 | | | | | | | | | | | |
| Deposits | | | | | 14746 | 2.25 | 1500 | 3.60 | | | 16246 |
| Repo agreements | | | | | 3165 | 2.43 | 1200 | 3.55 | | | 4365 |
| 10.05.1999 | | | | | | | | | | | |
| Deposits | 6300 | 2.14 | 4000 | 2.23 | 2564 | 2.99 | 4280 | 3.06 | | | 17144 |
| Repo agreements | 3165 | 2.43 | | | | | 2000 | 3.24 | | | 5165 |
| 11.05.1999 | | | | | | | | | | | |
| Deposits | 14200 | 1.92 | 3000 | 2.23 | 3228 | 2.56 | 1400 | 3.44 | | | 21828 |
| Repo agreements | 2000 | 2.53 | | | | | 5001 | 3.47 | | | 7001 |
| 12.05.1999 | | | | | | | | | | | |
| Deposits | 9800 | 2.04 | 3000 | 2.22 | 7346 | 2.75 | 5883 | 3.31 | | | 26029 |
| Repo agreements | 7125 | 2.49 | 2805 | 2.13 | 6710 | 2.81 | 7791 | 3.24 | 700 | 3.65 | 25131 |
| 13.05.1999 | | | | | | | | | | | |
| Deposits | 13500 | 1.63 | | | 1000 | 2.60 | 1300 | 3.45 | | | 15800 |
| Repo agreements | | | | | | | | | | | - |

(continued)

(continued)

| | 1 day | | from 2 to 3 days | | from 4 to 7 days | | from 8 to 30 days | | over 30 days | | Total |
|-------------------|--------|-------|------------------|-------|------------------|-------|-------------------|-------|--------------|-------|--------|
| | Volume | Yield | Volume | Yield | Volume | Yield | Volume | Yield | Volume | Yield | Volume |
| 14.05.1999 | | | | | | | | | | | |
| Deposits | | | 20700 | 2.28 | 6500 | 2.56 | 1844 | 3.39 | 5400 | 3.35 | 34444 |
| Repo agreements | | | 8460 | 2.53 | 2000 | 2.84 | | | | | 10460 |
| 17.05.1999 | | | | | | | | | | | |
| Deposits | 13660 | 2.47 | 2500 | 2.50 | 1000 | 3.00 | 5910 | 3.21 | 1000 | 3.70 | 24070 |
| Repo agreements | 7523 | 2.53 | | | | | 3000 | 3.11 | | | 10523 |
| 18.05.1999 | | | | | | | | | | | |
| Deposits | 18800 | 2.48 | 2300 | 2.57 | 3200 | 2.87 | 1500 | 3.10 | | | 25800 |
| Repo agreements | 13397 | 2.54 | 3960 | 2.74 | 1000 | 2.85 | | | | | 18357 |
| 19.05.1999 | | | | | | | | | | | |
| Deposits | 11000 | 2.30 | 4000 | 2.38 | 2446 | 3.00 | 1400 | 3.00 | | | 18846 |
| Repo agreements | 7157 | 2.46 | | | 7500 | 2.66 | | | | | 14657 |
| 20.05.1999 | | | | | | | | | | | |
| Deposits | 9300 | 1.89 | 1000 | 2.30 | 1650 | 2.88 | 270 | 2.90 | 1400 | 3.90 | 13620 |
| Repo agreements | 13172 | 2.47 | | | 3850 | 2.56 | 39 | 3.74 | | | 17061 |
| 21.05.1999 | | | | | | | | | | | |
| Deposits | 8000 | 2.12 | 500 | 2.20 | 4501 | 2.63 | 1060 | 3.49 | 2000 | 4.75 | 16061 |
| Repo agreements | 7610 | 2.52 | | | | | 2000 | 2.84 | 900 | 3.65 | 10510 |
| 22.05.1999 | | | | | | | | | | | |
| Deposits | | | 10500 | 2.14 | 4000 | 2.44 | 1000 | 3.20 | | | 15500 |
| Repo agreements | | | 9161 | 2.50 | | | 2000 | 3.15 | | | 11161 |
| 25.05.1999 | | | | | | | | | | | |
| Deposits | 12100 | 2.09 | 6800 | 2.43 | 4000 | 3.02 | 4380 | 3.23 | 3700 | 3.18 | 30980 |
| Repo agreements | 6575 | 2.50 | 6219 | 2.67 | 2000 | 2.84 | 2000 | 3.04 | | | 16794 |
| 26.05.1999 | | | | | | | | | | | |
| Deposits | 15337 | 2.27 | 5900 | 2.45 | 6746 | 3.16 | 5979 | 3.46 | | | 33962 |
| Repo agreements | 4340 | 2.48 | 7174 | 2.71 | 14622 | 2.96 | 6000 | 3.13 | | | 32136 |
| 27.05.1999 | | | | | | | | | | | |
| Deposits | 5000 | 2.54 | | | 6850 | 2.96 | 1000 | 3.13 | 1006 | 3.70 | 13856 |
| Repo agreements | | | | | 9249 | 2.90 | 7000 | 3.01 | 500 | 3.65 | 16749 |
| 28.05.1999 | | | | | | | | | | | |
| Deposits | | | 15600 | 2.55 | 5649 | 2.92 | 2851 | 3.51 | | | 24100 |
| Repo agreements | | | 7303 | 2.68 | 12458 | 2.72 | | | 500 | 3.65 | 20261 |
| 31.05.1999 | | | | | | | | | | | |
| Deposits | 10380 | 2.41 | 3000 | 2.42 | | | 2590 | 3.56 | | | 15970 |
| Repo agreements | 9372 | 2.66 | 7253 | 2.75 | 1000 | 2.85 | 2000 | 3.35 | 800 | 3.55 | 20425 |

Notes: 1. Volumes of transactions and deposits in million BGL.

2. The volume of repo agreements includes the agreements concluded during the current day.

3. Yield is calculated on an annual basis.

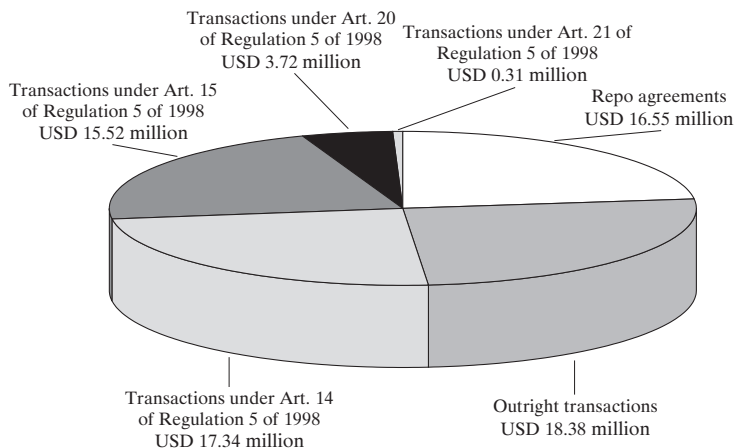
4. Lev equivalent of the transactions in USD-denominated government securities based on the USD exchange rate on the day of transaction.

Volume of Government Securities Transactions in the Secondary Market and Transactions in Securities in the Bulgarian Stock Exchange (thousand BGL)

| Date | Repo agreements | Outright transactions | Regulation No. 5 of 1998 | | | | Transactions in government securities, total | | Transactions in securities in the Bulgarian Stock Exchange | | |
|-------|-----------------|-----------------------|--------------------------|------------|------------|---------|--|------------|--|------------|--|
| | | | Art. 14 | Art. 15 | Art. 20 | Art. 21 | Stock exchange market | OTC market | Total | | |
| May | | | | | | | | | | | |
| 3 | 780 000 | 2 401 531 | 236 477 | 8 934 916 | 1 845 645 | - | 14 198 570 | 51 000 | 17 000 | 68 000 | |
| 4 | 9 000 000 | 3 547 039 | 7 133 184 | 5 085 261 | - | 23 015 | 24 788 499 | 18 000 | 7 000 | 25 000 | |
| 5 | 10 572 000 | 3 654 534 | 4 811 484 | 6 547 168 | 1 851 411 | 296 226 | 27 732 822 | 37 000 | 25 000 | 62 000 | |
| 10 | 10 810 000 | 3 910 000 | 5 000 000 | 2 709 404 | - | - | 22 429 404 | 303 000 | 24 000 | 327 000 | |
| 11 | 11 865 570 | 2 345 945 | 7 033 051 | 2 076 600 | - | - | 23 321 166 | 2 218 000 | 62 000 | 2 280 000 | |
| 12 | 32 953 079 | 3 616 821 | 10 502 126 | 4 798 059 | - | - | 51 870 085 | 260 000 | 17 000 | 277 000 | |
| 13 | 8 125 000 | 8 771 299 | 1 814 907 | 10 839 455 | 36 746 | - | 29 587 407 | 60 000 | 3 000 | 63 000 | |
| 14 | 13 815 000 | 864 191 | 1 000 000 | 10 180 134 | 1 112 694 | - | 26 972 018 | 943 000 | 8 000 | 951 000 | |
| 17 | 20 983 000 | 4 316 693 | 23 280 | 1 662 624 | - | 3 664 | 26 989 261 | 57 000 | 33 000 | 90 000 | |
| 18 | 26 880 100 | 14 751 232 | 2 697 242 | 5 108 813 | - | 19 212 | 49 456 598 | 94 000 | 17 000 | 111 000 | |
| 19 | 34 764 200 | 5 616 902 | 8 090 084 | 5 860 810 | 2 195 506 | - | 56 527 502 | 67 000 | 9 000 | 76 000 | |
| 20 | 30 201 858 | 3 733 623 | 2 076 899 | 148 657 | 4 808 223 | 2 030 | 40 971 290 | 49 000 | 7 000 | 56 000 | |
| 21 | 27 682 200 | 767 672 | 367 672 | 1 418 289 | - | 275 754 | 30 511 587 | 3 662 000 | 16 000 | 3 678 000 | |
| 22 | 19 071 200 | 3 000 000 | - | 277 913 | - | - | 22 349 113 | 353 000 | 4 000 | 357 000 | |
| 25 | 37 305 100 | - | - | 431 132 | 50 000 | - | 37 786 232 | 968 000 | 6 000 | 974 000 | |
| 26 | 52 391 391 | 10 575 644 | 17 776 711 | 9 812 446 | - | 40 616 | 90 596 808 | 1 283 000 | 6 000 | 1 289 000 | |
| 27 | 29 015 000 | 5 914 463 | 6 237 185 | 3 194 099 | 762 500 | - | 45 123 247 | 168 000 | 17 000 | 185 000 | |
| 28 | 31 200 665 | 3 060 795 | 8 882 617 | 2 677 769 | - | 50 865 | 45 872 710 | 243 000 | 5 000 | 248 000 | |
| 31 | 3 915 766 | 222 000 | 3 919 499 | 5 865 127 | 221 730 | - | 14 144 122 | 52 000 | 22 000 | 74 000 | |
| Total | 411 331 129 | 81 070 384 | 87 602 418 | 87 628 676 | 12 884 455 | 711 381 | 681 228 444 | 10 886 000 | 305 000 | 11 191 000 | |

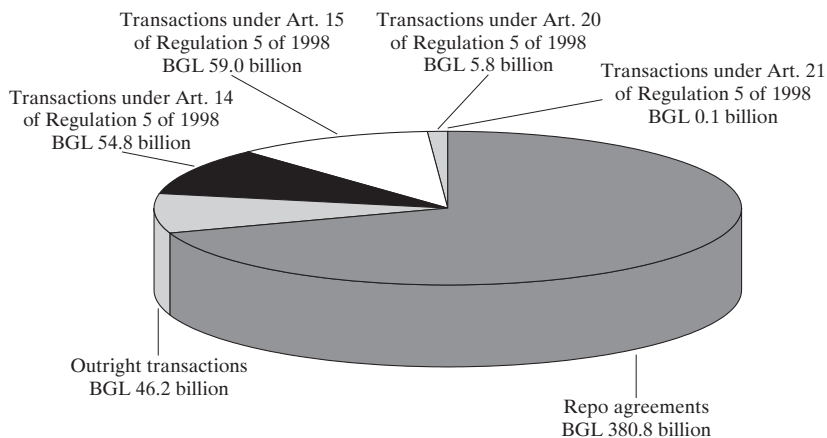
- Notes:**
1. The amount of the bids approved for participation in government securities auctions on behalf of nonprimary dealers of BGL 11,443,169 thousand is included.
 2. The amount of approved competitive and noncompetitive bids on behalf of companies and individuals of BGL 7,271,870 thousand is included.
 3. The volume of repo agreements includes reverse repo agreements and repo agreements concluded during the current day.
 4. Transactions in USD-denominated government securities are in levs at the US dollar exchange rate quoted by the BNB on the day of transaction.
 5. Banking Department data on the volume of transactions in the Bulgarian Stock Exchange.

Volume of Secondary Market Transactions in Government Securities Issued for Structural Reform in May



Source: BNB.

Volume of Secondary Market Transactions in Government Securities Issued for Budget Deficit Financing in May



Source: BNB.

SALES OF GOVERNMENT SECURITIES TO NONBANK FINANCIAL INSTITUTIONS, COMPANIES AND INDIVIDUALS

Sales of Government Securities Issued under Regulation No. 5 of 1998 and Target Issues

The volume of government securities sales for budget deficit financing increased in May. As of 31 May 1999 government securities (issued under Regulation No. 5 of 1998) held by individuals, companies and nonbank financial institutions totaled BGL 112,150 million (Chart 11), an increase of BGL 11,851 million, or 11.82%, on the previous month. Target government securities

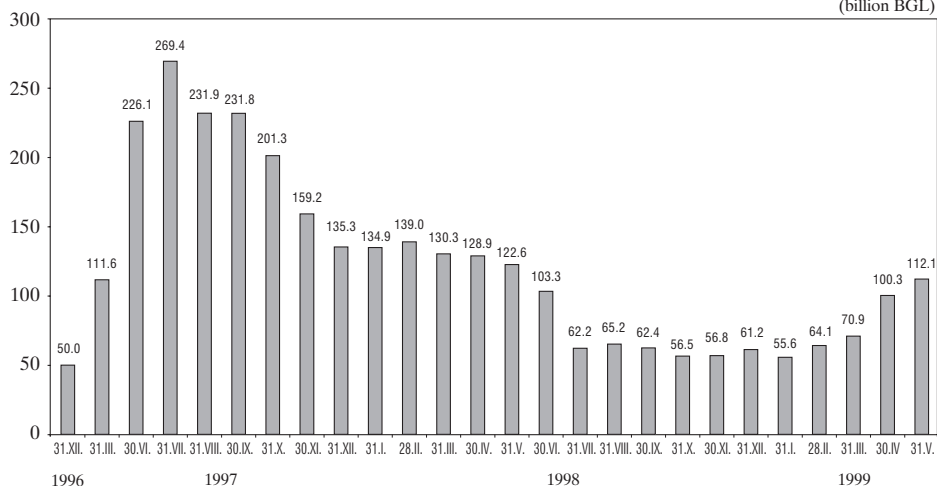
sold to nonbank financial institutions, companies and individuals accounted for BGL 15,405 million (Chart 12), an increase of BGL 385 million, or 2.56%, on April.

In May sales of government securities issued under Regulation No. 5 of 1998 included three-month treasury bills of BGL 5,163.7 million, one-year of BGL 1,550.5 million, and two-year treasury bonds of BGL 2,001.2 million. Three-month treasury bills occupied the largest share in total government securities sales in May, 59.25%.

Chart 11

Net Sales of Government Securities Issued under Regulation No. 5 to Nonbank Financial Institutions, Companies and Individuals

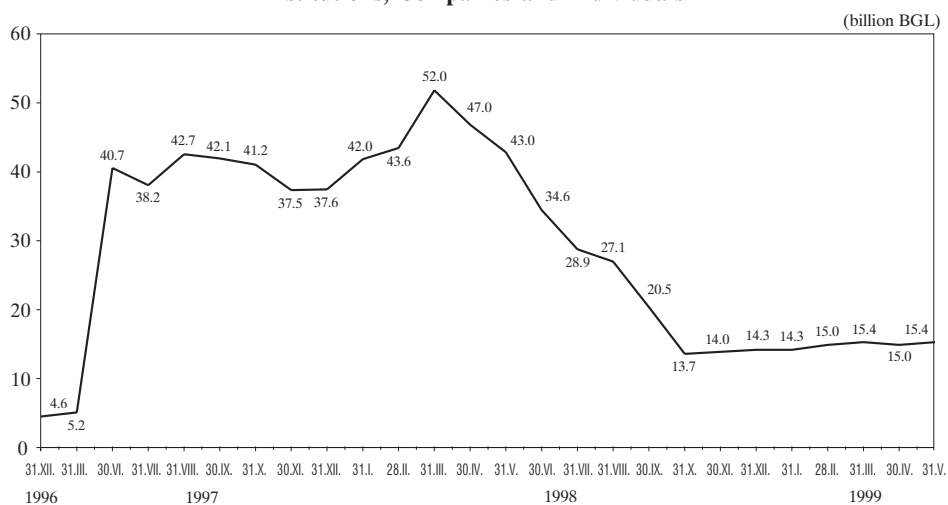
(billion BGL)



Note: Preliminary data for 1999.

Source: BNB.

Net Sales of Government Securities from Target Issues to Nonbank Financial Institutions, Companies and Individuals



- Notes: 1. Preliminary data for 1999.
2. Target issues dated 26 May 1999 excluded.

Source: BNB.

Target Issues of Government Securities Earmarked for Physical Persons

Between 28 April and 25 May 1999¹ the MF offered for sale six issues of government securities earmarked for physical persons under the following conditions:

- Two issues of six-month target discount government treasury bills yielding 5.9% annually. Their average weighted monthly yield is 0.49% (Chart 13). No

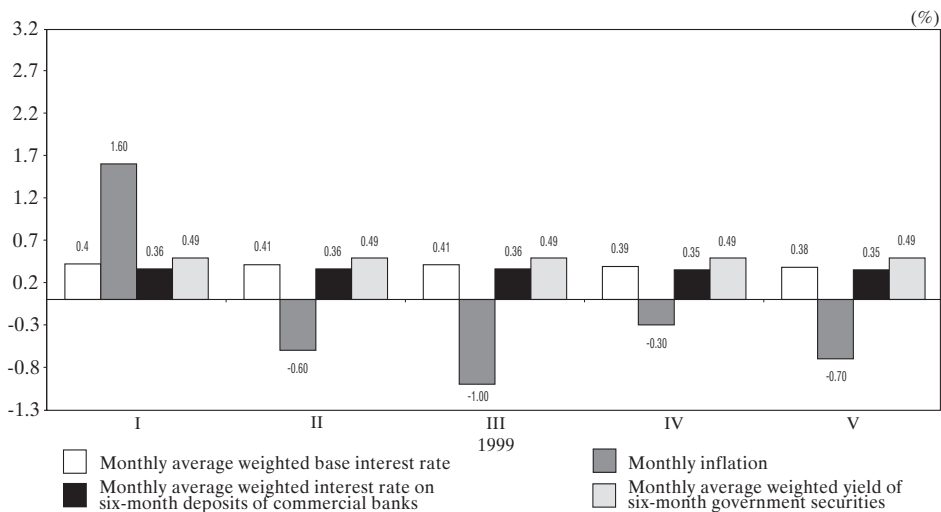
¹ The period under review starts from the issue date and finishes at the end of issue periods, since data is obtained and registered after the sale of a particular issue has been finished. Therefore, this period does not correspond to the calendar month and includes two issue periods or four weeks.

repurchases are effected by the clients prior to maturity of these government securities.

- Two issues of twelve-month target discount government treasury bills ensuring 6.99% annual yield. Their average weighted monthly yield is 0.58% (Chart 14). Reverse repurchase of these government securities starts six months after their issue at prices set by the issuer, with their effective annual yield increasing proportionally from beginning to end of the reverse repurchase period.

- Two issues of two-year savings government treasury bonds with fixed annual yield in the form of semiannual interest payment, effective as of the issue date. The last interest payment is effected at maturity together with the

Yield of Six-month Government Securities from Target Issues



Source: BNB.

nominal value of government securities. The annual interest rate of the first interest coupon is 8%, the second 9%, the third 10%, and fourth 11%. Reverse repurchases of these bonds start six months after their issue at prices set by the issuer. Reverse repurchase price of two-year savings government securities issues is set by accruing the previous coupon annual rate of interest to the nominal value for the period since the latest interest payment until the reverse repurchase date.

Sales of these government securities totaled BGL 1,057.1 million nominal value: six-month treasury bills of BGL 91.3 million (8.63%), twelve-month treasury bills of BGL 83.4 million (7.89%) and two-year savings treasury bonds of BGL 882.4 million (83.48%).

Data shows that during the reporting period investors opted for two-year savings treasury bonds (Chart 15) generating higher yield.

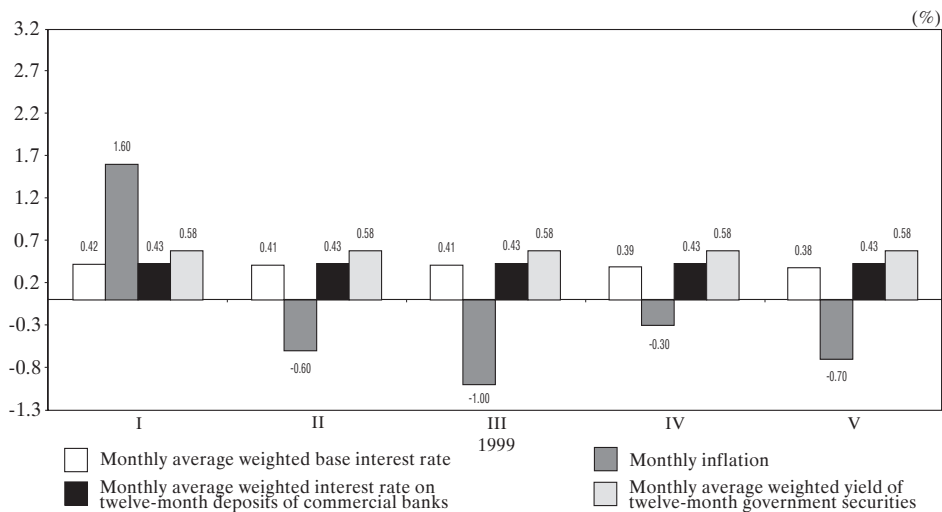
Sales of Government Securities Issued for Structural Reform

The slight upward trend in the volume of government securities acquired by individuals, companies and nonbank financial institutions and issued for structural reform continued in May. As of 31 May total sales of government securities accounted for BGL 608,017.4 million (including sales to foreign investors), an increase of BGL 6,937.9 million (1.2%) from April (Chart 17).

The bulk of government securities issued for structural reform was sold by

Chart 14

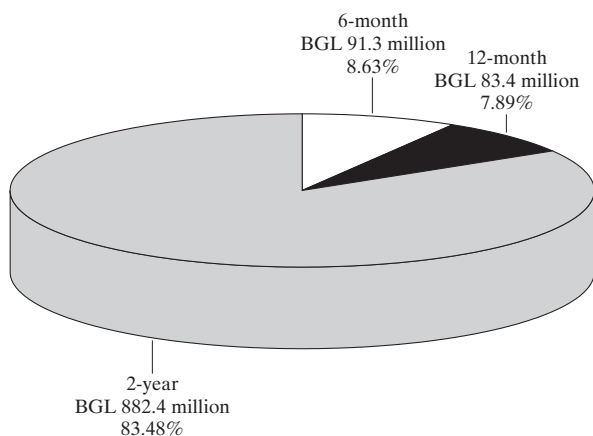
Yield of Twelve-month Government Securities from Target Issues



Source: BNB.

Chart 15

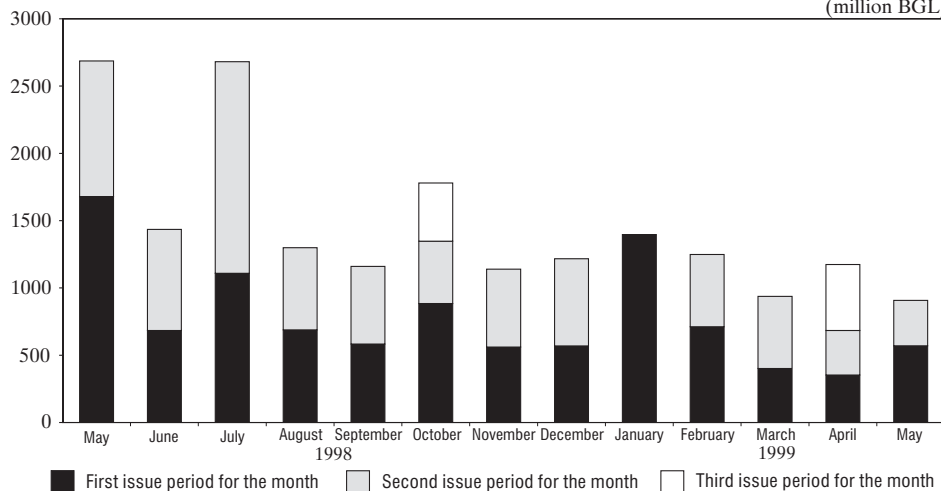
Maturity Structure of Target Government Securities Sold through the BNB and Primary Dealers in May



Source: BNB.

Volume of Target Government Securities Sales to Physical Persons

(million BGL)



Source: BNB.

commercial banks (88.7%) and other financial institutions (11.3%).

Lev-denominated government securities held by individuals, companies and nonbank financial institutions totaled BGL 8,364.5 million (1.4% of total sales), while USD-denominated government securities issued under ZUNK accounted for BGL 599,652.9 million.

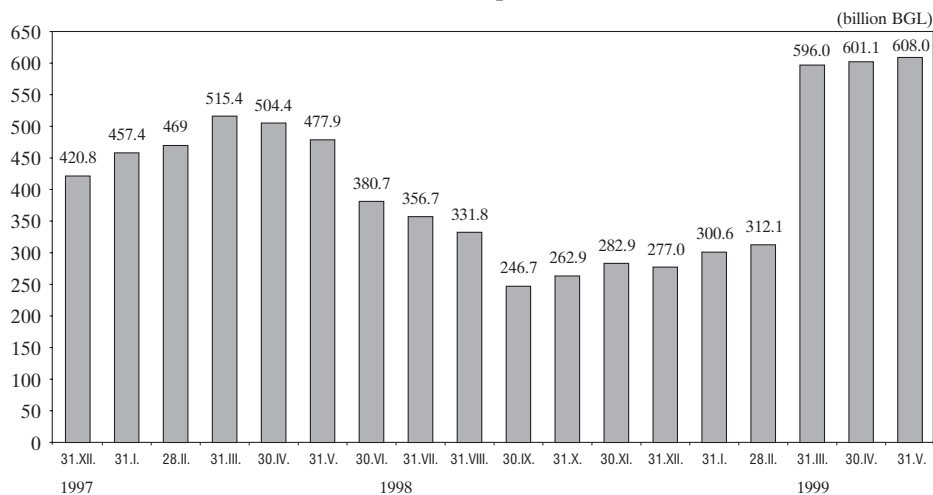
Sales of Government Securities to Foreign Investors

As of 31 May 1999 government securities acquired by foreign investors totaled BGL 138,554 million (Chart 18), an increase of BGL 5,593.1 million (4.2%) on April.

Government securities issued under Regulation No. 5 of 1996 totaled BGL 59.2 million; one transaction in these government securities was registered in May. By end-May target government securities (earmarked for direct sale to physical persons) sold to nonresidents totaled BGL 6.7 million.

As of 31 May USD-denominated long-term government bonds held by foreign investors increased by USD 2 million, reaching USD 74 million (equivalent to BGL 138,488.1 million), an increase of BGL 5,534 million, or 4.2%, on the previous month. Forex bonds on domestic debt continued to occupy the largest share in foreign investors' portfolios (99.9%).

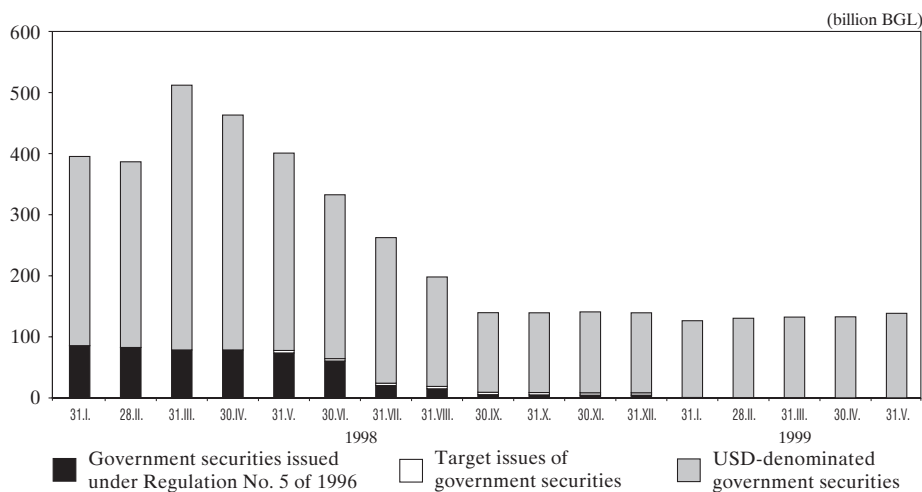
Net Sales of Government Securities Issued for Structural Reform to Nonbank Financial Institutions, Companies and Individuals



Note: Data on USD-denominated government securities shows the lev equivalent based on the USD exchange rate at the end of month.

Source: BNB.

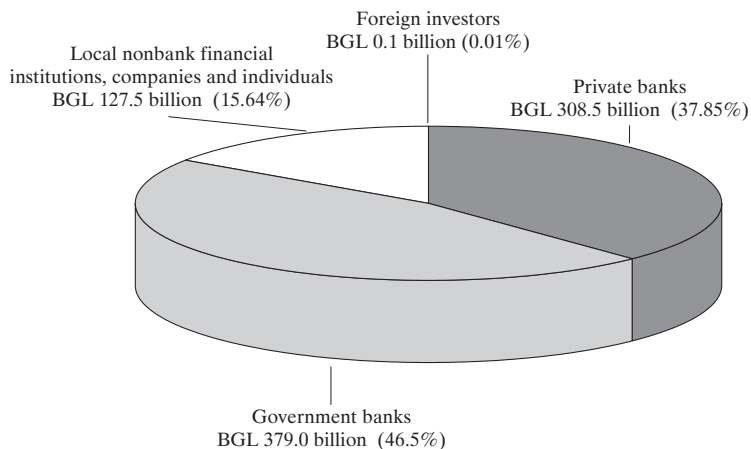
Government Securities in Foreign Investors' Portfolios



Note: Preliminary data for 1999.

Source: BNB.

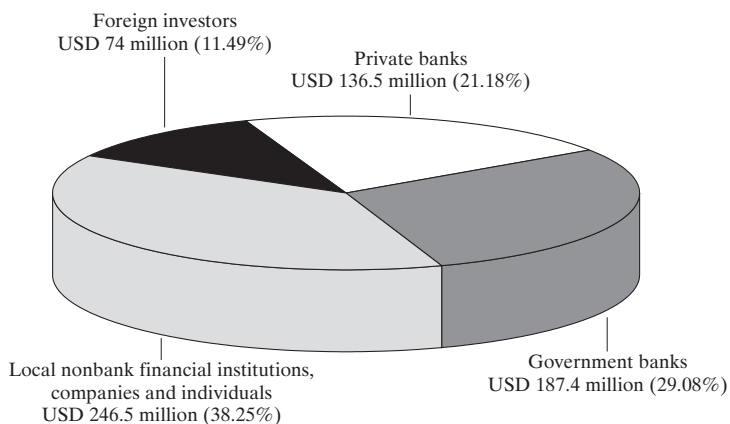
Holders of Government Securities Issued under Regulation No. 5 of 1998 and of Target Issues by 31 May



- Notes:**
1. Including frozen government securities by financial institutions.
 2. Guaranty government securities issued under the LSPDACB excluded.
 3. Preliminary data.

Source: BNB.

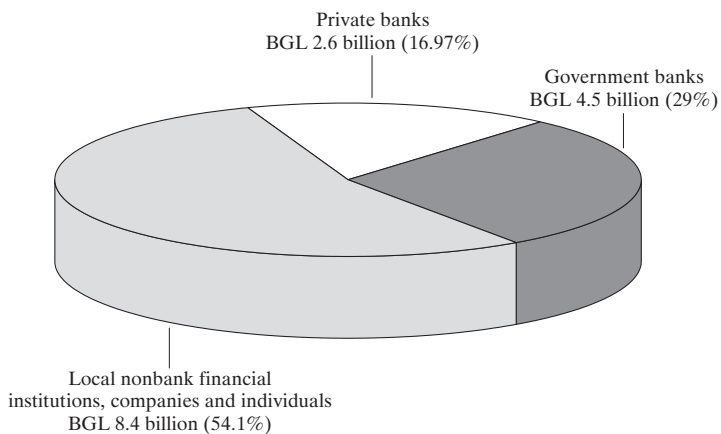
Holders of USD-denominated Government Securities Issued under ZUNK by 31 May



- Notes:**
1. Including frozen government securities by financial institutions.
 2. Preliminary data.

Source: BNB.

Holders of Lev-denominated Government Securities Issued for Structural Reform (as of 31 May)



- Notes:** 1. Including frozen government securities by financial institutions.
2. Preliminary data.

Source: BNB.

SALES OF GOVERNMENT SECURITIES ISSUED FOR STRUCTURAL REFORM FOR PARTICIPATION IN PRIVATIZATION TRANSACTIONS

In May long-term government bonds issued under Article 5 of ZUNK, totaling USD 0.6 million, were sold for participation in privatization. Pursuant to Article 5 of the Regulation on participation in privatization of holders of long-term government bonds issued under the terms of ZUNK, CM Decrees Nos. 244 of 1991, 186 of 1993 and 3 of 1994 (government securities for structural reform), these

government securities were transferred to the MF account for participation in 27 privatization transactions as legal tender.

The average weighted price of the bonds issued under Article 5 of ZUNK and sold for participation in privatization was USD 58.7 per USD 100 nominal value (Chart 22). In May no transfer transactions in government securities from issue No. 98 of 1993 (to be used as

Chart 22

**Price Dynamics of Government Securities Issued under Articles 4 and 5
of ZUNK and Sold to Companies and Individuals
for Participation in Privatization**



Source: BNB.

legal tender in privatization transactions) were registered.

In May pursuant to Article 1 of the Regulation on the procedure for utilization of long-term government bonds issued under ZUNK for repayment of

debts to the government arising under the same law (published in the State Gazette, issue 12 of 3 February 1995), maturing long-term government bonds of USD 0.2 million (issued under Article 5 of ZUNK) were used.

Sales of Long-term Government Bonds Issued for Structural Reform for Participation in Privatization Transactions

| | Year | Jan. | Feb. | March | April | May | June | July | Aug. | Sep. | Oct. | Nov. | Dec. | Total |
|--|------|---------|---------|--------|---------|---------|--------|--------|--------|--------|--------|--------|---------|---------|
| I. Government securities in BGL (million BGL) | 1994 | | | | | 19.20 | 0.10 | 501.40 | 110.70 | 177.00 | 76.70 | 609.80 | 28.30 | 1523.20 |
| | 1995 | 88.20 | 257.20 | 65.00 | 35.50 | 143.60 | 132.40 | 262.90 | 148.90 | 59.80 | 54.90 | 242.50 | 354.90 | 1845.80 |
| | 1996 | 5.70 | 53.90 | 16.50 | 113.90 | 16.60 | 147.80 | 19.90 | 46.00 | 121.30 | 309.60 | 541.20 | 1151.20 | 2543.60 |
| | 1997 | 210.70 | 1374.90 | 114.90 | 1259.35 | 4354.90 | 744.30 | 500.80 | 175.00 | 209.10 | 184.50 | 135.60 | 144.70 | 9408.75 |
| | 1998 | 3916.30 | 17.18 | 238.60 | 13.70 | 60.00 | 90.72 | 27.30 | 3.96 | 0.00 | 11.47 | 0.00 | 0.00 | 4379.23 |
| | 1999 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | 0.00 |
| II. Government securities in USD (million USD) | 1994 | | | | | | | | | | | | | |
| | 1995 | | | | | | 0.80 | 0.10 | 0.10 | 0.90 | 1.70 | | 3.90 | 7.50 |
| | 1996 | 0.18 | 0.23 | 0.32 | 2.22 | 0.04 | 2.47 | 0.20 | 2.21 | 0.22 | 4.29 | 1.22 | 0.76 | 14.37 |
| | 1997 | 4.96 | 0.68 | 4.10 | 0.11 | 1.54 | 1.41 | 6.22 | 1.73 | 3.86 | 2.63 | 2.15 | 10.26 | 39.64 |
| | 1998 | 31.50 | 4.79 | 11.00 | 13.00 | 13.15 | 10.59 | 5.18 | 13.78 | 4.77 | 3.60 | 4.55 | 2.81 | 118.72 |
| | 1999 | 9.50 | 1.61 | 5.34 | 0.67 | 0.61 | | | | | | | | 17.73 |

- Notes:** 1. Government securities in BGL include long-term government bonds issued under Article 4 of ZUNK, CM Decrees No. 186 of 1993 and No. 3 of 1994.
 2. Government securities in USD include long-term government bonds issued under Article 5 of ZUNK and denominated in US dollars.

GOVERNMENT SECURITIES PRIMARY DEALERS AND REUTERS PAGES FOR GOVERNMENT SECURITIES QUOTATIONS

Pursuant to Article 4, para. 1 of Regulation No. 5 of 1998, by resolution of BNB Managing Board and letter of the Minister of Finance, the following are approved as government securities primary dealers:

FOR THE PERIOD 1 JULY – 31 DECEMBER 1999

| | |
|---------------------------------|------------|
| BIOCHIM | CBBB 01-03 |
| BNP – DRESDNERBANK | BSBD 01-03 |
| BULBANK | BGTB 01-03 |
| BULGARIAN POST BANK | BPBB 01-03 |
| BULGARIA-INVEST | BGIN 01-03 |
| BRIBANK | RIBB 01-03 |
| DSK BANK | SSBG 01-03 |
| EUROBANK | EBSF 01-03 |
| EXPRESSBANK | EBVB 01 |
| ING BANK | INBS 01-03 |
| UNITED BULGARIAN BANK | UBBB 01-03 |
| MUNICIPAL BANK | SMBK 01-03 |
| FIRST INVESTMENT BANK | BFIB 01-03 |
| RAIFFEISENBANK | RBBS 01-03 |
| ROSSEXIMBANK | REBS 01 |
| SOCIETE GENERALE | SGBG 01 |
| HEBROS | AGBG 01-03 |
| UNIONBANK | UNBS 01-03 |
| EUROFINANCE FINANCIAL HOUSE | EUFI 01-03 |
| ELANA FINANCIAL BROKERAGE HOUSE | ELAN 01-03 |
| NEFTINVESTBANK | OBBG 01-03 |
| SII INVEST LTD. | S IIB 01 |

SUMMARIZED QUOTATION PAGES

BGTSY=
BGZUNK=

BNB pages containing information on the government securities interbank market

BGBNB 5
BGBNB 7
BGBNB 9

TARIFF

on the Fees and Commissions Charged on Government Securities Transactions*

1. Affiliation fee for participation in the BNB Government Securities Depository – BGL 1,000.

2. Register maintenance fee – BGL 500 monthly.

3. Commissions for document processing

3.1. Primary market

3.1.1. For approved bids – 0.04% of the nominal value.

3.1.2. For unapproved bids – BGL 5 per one bid.

3.1.3. For bids not admitted to selection – BGL 2 per one bid.

3.1.4. For correction in the register of transactions in target issues of government securities earmarked for physical persons – BGL 10.

3.2. Secondary market

3.2.1. Transactions between financial institutions – BGL 2 from the transferor and BGL 2 from the acquirer.

3.2.2. For each registered transaction by the institution which has sent a notification pursuant to Article 14, para. 6 of Regulation No. 5 of 1998 – BGL 10.

3.2.3. For each registered transaction by the institution which has sent a notification pursuant to Article 18 of Regulation No. 5 of 1998 – BGL 1.

3.2.4. Pursuant to Article 14, para. 7 and Article 20, para. 1 of Regulation No. 5 of 1998 – per 0.06% of the nominal value from the issuer of the certificate and acquirer but at least BGL 5.

3.2.5. Privatization transactions – 0.09% of the nominal value of government securities transferred to the MF account with the BNB by the institution which has sent the notification about the transaction but at least BGL 5.

3.2.6. For each registered government securities transaction between clients of a financial institution with foreign investor's participation – BGL 10 from the institution sending the notification of the transaction.

3.2.7. For each registered transaction pursuant to Article 14, paras. 8 and 9 of Regulation No. 5 of 1998 – BGL 5 each from primary dealers keeping the registers of the transferor and the acquirer.

3.2.8. For each registered transaction pursuant to Article 20, paras. 2 and 3, and Article 21, para. 3 of Regulation No. 5 of 1998 – BGL 1 each from primary dealers keeping the registers of the transferor and the acquirer.

3.2.9. For transfer of the register in case of selection of primary dealers – BGL 10 from the investment intermediary approved as government securities primary dealer, and in case of deletion from primary dealers' list – from the primary dealer to whose register government securities are transferred.

* *The Tariff is adopted by Resolution No. 69 of 3 June 1999 of the BNB Managing Board and shall enter into force on 5 July 1999.*

3.3. Blocking of government securities

3.3.1. Blocking and unblocking of government securities in the register – one-off fee of BGL 2 from the pledger and the pledgee for preparing a tripartite contract and per 0.02% for each blocking and unblocking of government securities.

3.3.2. Blocking and unblocking of government securities placed as collateral of budget resources in the BNB register – per 0.02% but at least BGL 5 commission of the nominal value for each blocking and unblocking of government securities.

3.4. Maturity of issues and interest payments – 0.02% of the nominal value.

4. Charges for preparing excerpts from the register as per Article 12, paras. 1 and 2 of Regulation No. 5 of 1998

4.1. For the amount of government securities held for a fixed period of time – BGL 50.

4.2. For the flow of acquired government securities – BGL 100.

5. Refusal of transaction and delay of payment

5.1. For refusal to register a transaction in the secondary market – per BGL 2 from the financial institutions which have sent the notification of the transaction.

5.2. For delayed payment of fees and commissions under the previous items – for the period of delay interest is paid in the amount of the base interest rate effective for the corresponding period plus 10 (ten) percentage points.

6. Charges for sale of government securities at teller's desks

6.1. For issue of a certificate – BGL 0.20.

6.2. For issue of duplicates – BGL 1.

6.3. For transfer of property – BGL 1.50 from the transferor and BGL 1.50 from the acquirer.

6.4. Quotations – BGL 0.20.

6.5. Information sheet from the register – BGL 1.

6.6. Advertising materials – the value of the advertising material.

Notes:

1. The Ministry of Finance reserves the right to change the amount of fees and commissions depending on financial market state.

2. The fee under item 1 is collected ex officio by the BNB both from primary dealers of government securities as approved by the Managing Board of the BNB and the Minister of Finance pursuant to Article 4 of Regulation No. 5 of 1998, and from the commercial banks – nonprimary dealers, whose register is kept by the BNB pursuant to § 6 of the Additional Provisions of Regulation No. 5 of 1998.

3. The fee under item 2 is collected ex officio by the BNB and is applied to all financial institutions whereof the BNB keeps register of government securities owned by them.

4. The commissions under item 3.1 are collected from primary dealers on the issue date (in case of reverse repurchase auction: on the day of redemption) and those under items 3.2, 3.3 and 3.4 – on the day of transaction registration, respectively upon

maturity of the issue of government securities or interest payments on them.

5. In case of registration of an approved bid for participation in the auction sent by a primary dealer on behalf of a client, no commission is accrued under items 3.2.2 and 3.2.3 but only under item 3.1.1.

6. The commissions under items 3.2 and 3.3 of the Tariff on the fees and commissions charged on government securities transactions are paid in Bulgarian levs. Fees and commissions charged on the nominal value of government securities denominated in foreign currency are calculated as absolute figures in levs.

7. The commission under item 3.4. is applied to the government securities issued after 1 September 1997.

8 . Charges for preparing an excerpt from the register pursuant to Article 12, para. 1 of Regulation No. 5 of 1998 are collected from the financial institution which has requested an excerpt, and pursuant to Article 12, para. 2 from the primary dealer who has kept the register of the foreign person.

9. No commission is collected when a commercial bank unblocks government securities, due to a decrease in balances on budget entities' accounts.

10. When calculating commissions under items 3.1.1, 3.2.4, 3.2.5, 3.3., 3.4., 5.2., the result is rounded off up to the second digit after the decimal point.

11. The fees are collected ex officio by the BNB Government Securities Depository from the settlement accounts of the contracting parties.

Published by the Bulgarian National Bank
Fiscal Services Department, tel. 9145 1486.
1000 Sofia, 1 Alexander Battenberg Square
Telephone: 91459
Telex: 24090, 24091
Fax: 980 2425, 980 6493
Printed by BNB Printing Center

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ISSN 1311-0055

This issue includes materials and data received up to 17 June 1999.

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