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**BULGARIAN
NATIONAL BANK**

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RULES OF PROCEDURE

OF THE USER COMMITTEE

**OF THE GOVERNMENT SECURITIES REGISTRATION AND SETTLEMENT
SYSTEM AT THE BULGARIAN NATIONAL BANK**

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

Chapter One

General Provisions

Art. 1. These Rules (the Rules) regulate the composition, setting up, operating procedures and mandate of the User Committee of the Government Securities Registration and Settlement System (BNBGSSS) operated by the Government Securities Depository at the Bulgarian National Bank (GSD at the BNB), hereinafter referred to as ‘the Committee’. The Rules are issued in compliance with the requirement in Article 28 of Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012, hereinafter referred to as ‘Regulation No 909/2014’. The Government Securities Registration and Settlement System (BNBGSSS) consists of an Electronic System for Registration and Servicing of Trade in Government Securities (ESROT) and a Government Securities Settlement Accounts System (GSSS), both operated by the Fiscal Services Directorate (FS Directorate) within the Banking Department at the BNB.

Art. 2. (1) The Committee is an advisory body that provides recommendations, advice, opinions and proposals related to the services rendered via the Government Securities Registration and Settlement System, and it acts independently from the FS Directorate at the BNB.

(2) The Committee’s decisions shall not be binding either on the FS Directorate at the BNB Banking Department, or on the BNB.

Chapter Two

User Committee Composition and Election of Members

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

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

paragraph 3, are most active on the government securities primary and secondary markets and have the biggest contribution to the development of the market infrastructure, including of the Government Securities Registration and Settlement System;

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

(2) The Fiscal Services Directorate shall invite the selected participants in the Government Securities Registration and Settlement System and the issuers to designate their representatives in the Committee.

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

Art. 4. (1) The institutions under Article 3, paragraph 1 shall designate as their members of the Committee only officials having good reputation, expertise and professional experience in the government securities market area.

(2) Information on the persons appointed as members of the Committee shall be sent in writing by the legal representatives of the institutions – members of the Committee – to the Director of the Fiscal Services Directorate. An alternate, who meets the requirements under paragraph 1, shall be designated to replace the member in his/her absence.

(3) The members shall be appointed for a two-year period and may be reappointed after this period has expired.

(4) Where a representative terminates his/her relationship with the institution participating in the Committee, his/her participation in the Committee shall also be terminated automatically. Until a new representative is appointed, the alternate shall perform her/his duties on the Committee. The institution, participating in the Committee, shall appoint a new representative within one month and shall notify the BNB thereof pursuant to paragraph 2.

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

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

Art. 5. The participants in the Government Securities Registration and Settlement System which are central securities depositories from Member States (Article 3, paragraph 1, item 5 of Ordinance No. 5) shall not participate in the Committee.

Chapter Three
Operating Procedures

Art. 6. (1) The Committee shall meet regularly and at least once per year. At the Chairperson's instruction, the Committee can also conduct regular video teleconferencing meetings. The Committee's Chairperson shall notify the members of the exact date, hour and venue, and, if applicable, that there will be a video teleconferencing meeting, and of the agenda, not later than a month in advance of the scheduled meeting.

(2) The Committee may be convened for ad hoc meetings on specific issues and to resolve urgent matters. At the Chairperson's instruction, the Committee can also conduct ad hoc video teleconferencing meetings.

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

(4) An ad hoc meeting shall be scheduled by the Committee's Chairperson within one month of receipt of the request, or of the occurrence of the circumstances under paragraph 2, pursuant to paragraph 1 respectively.

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

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

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

(8) Any member of the Committee may propose additional items to a meeting's agenda by providing the Chairperson with a written proposal on the items to be included, not later than two business days prior to the meeting. In these cases the Chairperson shall as soon as possible submit the additional agenda items to the Secretary for circulation to the Committee members.

Art. 7. (1) The Director of the Fiscal Services Directorate shall notify the Committee members of the employees of the FS Directorate in the Banking Department who act as coordinators between the Committee and the FS Directorate.

(2) The Secretary's functions at the Committee meetings shall be performed by an employee of the FS Directorate, appointed by the Director of the Fiscal Services Directorate. In his/her absence, the Director of the Fiscal Services Directorate shall designate another employee to perform these functions.

(3) The employees of the FS Directorate under paragraph 1 and the Committee's Secretary may participate in both regular and ad hoc meetings of the Committee. These employees and the Secretary shall not be members of the Committee and shall not be entitled to vote.

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

Art. 8. (1) The Committee's Chairperson shall draw up the meetings' agenda and shall submit it to the Secretary to be emailed to all members and alternate members of the Committee.

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

(3) Protocols of meetings shall be prepared about the discussed issues and the decisions made. The protocols shall be prepared by the Secretary and shall be emailed to the members participating in the meeting prior to its official signature. Each Committee member shall have the right to receive a copy of the signed protocols, and the Committee's Secretary shall keep the original protocols at the BNB.

(4) In the cases under Article 6, paragraph 1, second sentence, and Article 6, paragraph 2, second sentence, the Committee members participating in the meeting shall sign the protocol using a qualified electronic signature.

Art. 9. Working groups of the Committee may be set up on specific issues concerning its powers and these working groups shall examine and/or prepare draft opinions on particular topics. The members of each working group shall be appointed by the Committee's Chairperson from among its members.

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

Chapter Four

Mandate and Responsibilities

Art. 11. Mandate of the Committee:

1. The FS Directorate shall consult with the Committee on the following matters:
 - 1.1. Projects initiated by the FS Directorate for innovation, modification of and add-ons to software applications of the Government Securities Registration and Settlement System, and of the system's communication tools;
 - 1.2. Modifications to the system's functionalities or new additional services requiring add-ons, initiated by the participants in the Government Securities Registration and Settlement System;
 - 1.3. The need to build links with other securities depositories and trading venues, their type and scope;
 - 1.4. The types of government securities accounts kept in the Registration and Settlement System and in its participants;
 - 1.5. Issues relevant to the operation of the Government Securities Registration and Settlement System so that it is better compliant with the increased business requirements for securities settlement systems, their reliability, safety, and so that operational risks are minimised in accordance with the European best practice, including in the context of the migration to the T2S platform after the adoption of the euro as legal tender in the Republic of Bulgaria;
2. Shall submit non-binding opinions to the FS Directorate, containing exhaustive reasons the pricing structure of the BNB Tariff of the Fees and Commissions for Processing of Government Securities Transactions, and shall propose amendments to it;
3. Shall consult the FS Directorate about issues that concern the participants in the Government Securities Registration and Settlement System, including admission criteria for issuers and other participants in the system and the level of service;
4. Shall organise and hold consultations with the market participants in the Registration and Settlement System on issues within its competency at the request of the FS Directorate, including in connection with the fulfilment of the requirements of Regulation No 909/2014, the Regulatory Technical Standards, and the Implementing Technical Standards thereto, and requirements initiated by the EU institutions, international regulatory bodies, and organisations representing the interests of financial market infrastructures;
5. Shall submit non-binding proposals to the FS Directorate for amendments to the regulatory framework governing the government securities market, resulting from the recommendations referred to in the preceding paragraphs;

6. Shall draft an annual activity report presenting the most important issues and decisions;

7. Shall discuss other matters related to the Committee's activities.

Art. 12. (1) The proposals, recommendations, advice, reports, etc. under the preceding article shall be adopted by decisions of the Committee and shall be written down in its protocols of meetings.

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

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

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

(5) The Committee's Chairperson and members, the persons under Article 7, paragraph 1, and the Secretary shall keep confidential, shall protect from unauthorised access, and shall not disclose to third parties outside the institutions represented by them, the information that has become known to them during or in connection with the operation of the Committee, including after the end of their participation in it.

Art. 13. The Committee's Chairperson has the following duties:

1. Shall lead the meetings and shall manage the work of the Committee;

2. Shall set up organisation for timely convening of regular and ad hoc meetings;

3. Shall invite the persons under Article 7, paragraph 1, and other persons, depending on the issues discussed, to take part in the Committee meetings, whenever the Chairperson considers it necessary and after consultation with the other members;

4. Shall decide on the date, time, venue, and agenda of each upcoming meeting and, if applicable, shall inform about video teleconferencing meetings, and shall provide this information with the supporting materials for the meetings to the Secretary to be emailed to the Committee members;

5. Shall submit the report under Article 11, item 6 to the BNB Deputy Governor heading the Banking Department and to the FS Director.

Art. 14. As the operator of the Government Securities Registration and Settlement System, the FS Director has the following duties:

1. Shall make sure that the persons under Article 7, paragraph 1 and the Secretary take part in the Committee meetings;
2. Shall provide the Chairperson, at the Chairperson's request, with the information and documents on the issues discussed, related to the Committee's mandate and competencies;
3. Shall assist the Committee, at the Chairperson's request, in providing a meeting room and office materials for the Committee's activities;
4. Shall provide the Committee in due time with information about the envisaged changes and the status of ongoing IT projects for innovation, modification of and add-ons to software applications in the Government Securities Settlement System;
5. Shall provide the Committee with information on forthcoming changes to the rules and procedures of the Government Securities Registration and Settlement System or to the regulatory framework governing the government securities market so that they can be discussed by the Committee;
6. The information provided under the preceding paragraphs may not contain confidential data;
7. Shall organise the publication of a list of the Committee members and the Secretary, and of the Rules on the BNB website, under 'Fiscal Agent', 'Government Securities Settlement System – BNBGSSS', 'ESROT'.

Art. 15. The Committee's Secretary has the following duties:

1. Shall email to all members, including the alternate members and the persons under Article 7, paragraph 1, the information received from the Chairperson under Article 13, item 4;
2. Shall prepare protocols of meetings about the discussions, voting results, and decisions made;
3. Shall provide all Committee members with copies of the signed protocols of meetings;
4. Shall keep the protocols of meetings with the appendices thereto and the materials under Article 11, item 6 and Article 13, item 4.

Transitional and Final Provisions

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

§ 2. These Rules have been adopted pursuant to Article 28 of Regulation No 909/2014 and Article 27, item 27 of the Rules of Procedure regarding the mandate and responsibilities of the structural units and the senior officials' competencies at the Bulgarian National Bank.