

Kingdom of Belgium
Treasury - Belgian Debt Agency
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**Procedure Manual regarding
the issuance of**

treasury certificates

Free translation

PROCEDURE MANUAL REGARDING THE ISSUANCE OF TREASURY CERTIFICATES

The current procedure manual applies to treasury certificates, the issuance of which is governed by the Ministerial Decree of December 12th, 2000, modified by the Ministerial Decree of March 22nd, 2002.

Terminology

BDA :	Belgian Debt Agency, entity of the General Administration of the Treasury, Federal Public Service FINANCE
NBB :	National Bank of Belgium
NBB SSS :	National Bank of Belgium Securities Settlement System (formerly known as NBB Clearing)
BAS :	Bloomberg electronic Auction System
TARGET :	Trans-european Automated Realtime Gross-settlement Express Transfer system
CET :	Central European Time

Main features of treasury certificates

- **Short-term bills** with a maturity of maximum one year. This maximum maturity can be extended so that the maturity date matches with a TARGET operating day or for technical reasons.
- Treasury certificates issued in different tranches with the same characteristics (same ISIN code and maturity date) are fungible and **constitute a same line**.
- Denominated **in euro**.
- **Dematerialized securities** booked in the NBB SSS, which can be accessed by international settlement systems (Euroclear & Clearstream). They can also take the form of **registered entries** in the Ledger of the Public Debt. The amount to be recorded as book-entries or as registered entries in the Ledger of the Public Debt is the amount (capital and interest included) due by the State upon maturity before deduction of withholding tax, if any.
- The amount the subscriber pays on the value date of the auction is the present value of the nominal amount calculated at the allocated rate.
- The transactions on the primary market are settled by the **NBB SSS**.
- **Who is entitled to hold treasury certificates ?**
Any private person or legal entity may hold treasury certificates as a book-entry in a securities account with an approved account keeper or as a registered entry in the Ledger of the Public Debt. The "X/N"-system (X=Exonerated / N=Non exonerated) of the NBB SSS can differentiate holders who are liable for withholding tax on interest and those who are not.
- **Who is entitled to submit competitive bids and non competitive subscriptions ?**
Primary dealers and recognized dealers are entitled to submit competitive bids at the auctions. Only primary dealers can subscribe to the non-competitive part of the auctions.

The right to submit non-competitive subscriptions is also attributed to the following

institutions in the framework of the management of their portfolio: the NBB for account of foreign central banks and assimilated institutions and for account of international financial organisations of which Belgium is a member, the “Fonds monétaire – Muntfonds” and the “Caisse des dépôts et consignations – Deposito- en consignatiekas”. These institutions can subscribe treasury certificates at the weighted average yield of the auction. Their bids must be sent to the BDA before 11 AM (CET) the day of the auction.

ISSUANCE OF TREASURY CERTIFICATES

Main issuing methods

Treasury certificates are issued by **competitive auctions** based on the rates offered by the bidders and by **non-competitive subscriptions**.

Calendar

The auctions are in principle organized twice a month issuing treasury certificates of 3 and 6 month or treasury certificates of 3 and 12 month.

Before January 1st of each year, an indicative calendar of the auctions is published on the website of the BDA: <http://www.debtagency.be>

For each auction this calendar gives the following information:

- the date of the auction;
- the value date for settlement and delivery of the allocated treasury certificates;
- the ISIN code of the treasury certificates to be issued;
- the maturity date of the treasury certificates to be issued.

Invitation to bid

In principle, the invitation to bid is announced on the Friday preceding the auction at 4:00 PM (CET) at the latest, via the pages of the BDA on Bloomberg (BELG) and Reuters (BELG/TC).

The invitation mentions :

- the date of the auction;
- the dates of the non-competitive subscriptions;
- the value date for settlement and delivery of the allocated treasury certificates;
- the value date for settlement and delivery of the TCs issued through the non-competitive subscriptions;
- the range of the global nominal amount to be auctioned, all lines together;
- the nominal amount of treasury certificates maturing on the value date of the auction;
- the maturity date of the treasury certificates to be issued;
- their ISIN code of the treasury certificates to be issued;
- the current outstanding of the lines of treasury certificates which will be issued;
- and, the indicative issuance amount per line.

In addition, a personal announcement message is sent to each primary and recognized dealer via BAS. If applicable, it also mentions, the maximum bid amount per rate.

The ISIN code of treasury certificates is structured according to the ISIN standards :
BE / 0 / 8 positions constituting the National numbering Agency code / 1 position for the control number.

Submission of the bids

Bids must be submitted through BAS - page BGTB - on the auction day from 11 until 11:30 AM (CET) at the latest. On the start menu of the page MTTB : "Tender Offering / Enter bids ", the bidder selects the current auction and introduces for each line to which he wants to subscribe the following figures :

- the amount offered (nominal amount);
 - The amount of the bid is the amount due by the State at maturity.
 - The amount of the bid is expressed in million and as a multiple of € 1,000,000 with a minimum of € 10,000,000.

- **Maximum amount per bid**

When issuing a new 12 month line, a maximum amount per bid is applied and communicated in the personal announcement message sent to each primary and recognized dealer via BAS.

This rule can be applied to other tenors, if deemed necessary by the BDA. In that case, the maximum amount per bid for the relevant lines will be communicated through the personal announcement message via BAS.

- the proposed rate is a nominal interest rate which is expressed in units with three decimals with bid level increments of 0.5 bp (e.g. 2.250% or 2.255%).

Bids which are not in accordance with above-mentioned requirements are rejected.

Primary dealers and recognized dealers are advised to open their BAS workstations at 11 AM (CET) so as to test the good functioning of the system. If a problem should occur at that moment the BAS-users should contact Bloomberg, Fixed Income help desk (Tel +44(0) 20 7330 70 30) and the BDA, Mr. Philippe Lepoutre (+32 (0)2 574 71 01).

In case of exceptional circumstances preventing the BDA from processing the auction in its premises, it can take place at the "Recovery Centre" of the BDA. All necessary information regarding timing and auction procedure will be timely communicated.

The auction

Treasury certificates are issued by auctions based on interest rates. Bids are allocated at the proposed interest rates.

All bids submitted at interest rates lower than the highest rate accepted by the BDA (limit rate), are allocated for their full amount. Bids submitted at the limit rate may be proportionally scaled down, in which case the amounts so reduced are rounded up to the nearest € 1,000,000 with a minimum of € 10,000,000 per bid.

Example :

Two bids at the limit rate of 4.685%:

- bidder A: nominal amount: € 250 million;
- bidder B: nominal amount: € 100 million.

Allocation percentage : 16.5746%

The allocated amounts will be :

- € 42 million for bidder A;
- € 17 million for bidder B.

40% rule

- Application

When offering a new 12 month line at the auction, total accepted competitive bids per PD and RD are limited to 40% (in principle) of the amount taken.

The 40% rule can be applied to other tenors, if deemed necessary by the BDA. In that case, the BDA informs the participants of its application through the personal announcement message via BAS.

- Procedure

(1) The application of the 40% rule-procedure is communicated to all participants with the following Bloomberg AXEM message : "Due to the application of the 40% rule, results of the auction of the TC lines will be published a few minutes later on the BDA pages of Bloomberg (BELG) and Reuters (BELG/TC)".

(2) The BDA calculates the individual and general results as follows:

Calculation method

a. The allocated bids of the relevant participant are reduced to 40% without taking into account possible roundings. The balance to be issued, will be allocated to the other participants, in respect with the 40%-rule.

b. The final accepted amount of the participant to whose bids "the 40%-rule" has been applied, could, after the rounding process, be different than the 40% determined before the application of the rule.

c. Example:

- BDA decides to issue € 500 million;
- 40% of the target: € 200 million;
- a participant exceeds the 40%-rule with an initial amount of € 250 million;
- applying the 40% rule, his amount is reduced to € 200 million;
- suppose that the accepted amount after the rounding process amounts to € 510 million;
- as a result, the total accepted amount of the concerned participant will be 39.2157% of the auction (=200/510).

(3) The results of the auction will **not** be published via BAS but only on the BDA pages of Bloomberg (BELG) and Reuters (BELG/TC).

In case of a partial allocation at the limit rate, the posted accepted percentage at limit rate is valid for all participants except for the participant to whose bids the 40%-rule has been applied. The latter will be individually informed (after the publication of the results) of his accepted amount first by telephone and afterwards, more in detail, by a personalized Bloomberg e-mail.

Publication of the results

The results of the auction are published a few minutes after cut-off time of the auction:

- first via BAS, global results and individual results of each bidder;
- and thereafter, via the pages of the BDA on Bloomberg (BELG) and Reuters (BELG/TC) The following information is published:
 - the total amount of valid bids;
 - the proposed minimum and maximum rates;
 - the limit rate and the accepted percentage at the limit rate;
 - the total amount allocated and the number of the successful bidders;
 - the weighted average yield of the auction;
 - the amount allocated to other institutions authorized to submit non-competitive subscriptions.

The application of the 40% rule can cause a delay of a few minutes in the publication of the results of the auctioned TC-lines.

If the results of the auction are not released before 12 noon (CET) on the day of the auction, the BDA will inform the primary dealers and the recognized dealers of the reasons for the delay and of the possible consequences for the auction process. This communication will be done through Bloomberg AXEM or e-mail, and if needed through Bloomberg and Reuters.

If the results of the auction are not released before 1:30 PM (CET) on the day of the auction, it is assumed that the primary and recognized dealers have cancelled their bids unless a contrary notification is sent by fax before 1:30 PM (CET) (n°+32(0)2 233 74 25). After consultation with the primary and recognized dealers the BDA can bring the moment of cancellation of the bids forward.

In case of severe problems the BDA may decide to resort to an alternative auction procedure. Primary and recognized dealers will then be advised through Bloomberg AXEM or e-mail, and if needed through Reuters, about the steps to follow for introduction of new bids.

Possible procedures are :

- reopening of BAS;
- introduction of bids via fax ([see model](#));
- introduction of bids via telephone.

Non-competitive subscriptions

Primary dealers may participate twice in non-competitive subscriptions : once in the ordinary non-competitive subscriptions and a second time in the special non-competitive subscriptions. These subscriptions allow primary dealers to acquire treasury certificates, under certain conditions, at the weighted average interest rate of the competitive auction.

Ordinary non-competitive subscriptions take place between 11:00 AM and 11:30 AM (CET), on the value date of the auction.

Special non-competitive subscriptions take place between 11:00 AM and 11:30 AM (CET) Monday following the day of the auction. If this day is not a Target operating day, the subscriptions take place on the next Target operating day.

Non-competitive subscriptions are submitted in the same way as competitive bids, the minimum amount however is € 1,000,000 ([see above](#)).

Settlement

- **Method**

Treasury certificates issued through competitive bidding as well as through non-competitive subscriptions are delivered on their value date against payment of the amounts due through the NBB SSS.

- **Amount due**

The **amount (C)** the bidder pays on value date of the issue, corresponds to the amount borrowed by the State for each accepted bid or for each subscription and it is calculated as follows :

$$C = \frac{Y}{1 + \left(\frac{i}{100} \times \frac{n}{360} \right)}$$

where Y represents the nominal issued amount ;
i equals the proposed interest rate ;
n is the exact number of calendar days between value date of the issue (included) and maturity date (not included).

- **Value date**

- For the competitive and the ordinary non-competitive subscriptions : the second TARGET operating day following the auction;
- For the special non-competitive subscriptions : the day of the special non-competitive subscriptions.

- **Penalties**

Treasury certificates for which no payment has been received on value date can be cancelled ipso jure without formal notice.

In this case, the bidder or subscriber owes the State, ipso jure and without any prior formalities being required, a compensation corresponding to 7-days' interest calculated at the marginal lending facility rate of the European Central Bank applicable on the value date, increased by 1.5 %, on the amount which should have been paid.

The settlement may be postponed, if the bidder or subscriber provides a legitimate reason for the non-payment of the funds on value date. In this case, a compensation for late payment will be calculated following market practices.

The BDA decides whether or not to accept the reasons put forward.

Reimbursement upon maturity

On maturity date, the NBB SSS debits automatically the current account of the Treasury with the amount due and credits the current accounts of the institutions participating to the system which have a credit balance in the relevant line. This transfer releases the Treasury from its obligations.

The participants will credit their clients' cash accounts with the nominal value of the treasury certificates maturing. They will give them access to the funds with same day value. No reasons for delay will be accepted.

Contactpersons

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