



KINGDOM OF BELGIUM
BELGIAN DEBT AGENCY
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Procedure Manual regarding the issuance of linear bonds (OLOs)

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The current procedure manual applies to linear bonds, the issuance of which is governed by the Royal Decree of October 16th, 1997 as amended, and by the Ministerial Decree of December 12th, 2000 as amended.

1. Main features of linear bonds

- **Medium, long term and very long term** securities with a fixed or floating interest rate representing a State Loan and issued in successive tranches.
- OLOs of different tranches with the same characteristics (same coupon, ISIN and maturity date) are **fungible** and form a same line.
- Denominated in **euro**.
- **Dematerialised securities** booked in the National Bank of Belgium Securities Settlement System (NBB SSS), which can be accessed by the CSDs SIX SIS, Monte Titoli and ESES Fr, and the ICSDs Euroclear Bank and Clearstream Luxemburg¹. 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 nominal amount (capital) to be paid by the State upon maturity.
- Reimbursable **at par** upon maturity.
- The transactions on the primary market are settled through the **NBB SSS**.
- **Who is entitled to hold OLOs ?**
Subject to certain selling restrictions, private and institutional investors may hold linear bonds 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 are entitled to submit competitive bids at the auctions and can also 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 National Bank of Belgium for account of foreign central banks and assimilated institutions and for account of international financial organisations of which Belgium is a member, and the “Caisse des dépôts et consignations – Deposito- en consignatiekas”. These institutions can subscribe OLOs at the weighted average price of the auctions. Their bids must be sent to the Belgian Debt Agency (BDA) before 11:30 AM (CET) on the day of the auction.

¹ The NBB SSS investor links with CSDs and ICSDs are published on the NBB SSS website: <https://www.nbb.be/nl/list-nbb-investor-icsds>

2. Main issuing methods

- OLOs are issued by **competitive auctions** based on the prices offered by the bidders and by **non-competitive subscriptions**.
- OLOs can also be issued by **syndication**, especially when opening a new line.
- OLOs can also be issued by an **ORI (Optional Reverse Inquiry)** facility by means of a competitive auction based on the prices offered by the bidders. A separate procedure manual regarding the ORI facility is available on the website of the BDA: <https://www.debtagency.be>.

3. Calendar

The auctions take place on the last or last but one Monday of the month as published in the indicative calendar.

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

For each auction this calendar gives the following information:

- the date of the auction and the dates of the non-competitive subscriptions;
- the value dates for settlement and delivery of the allocated OLOs and for the OLOs issued through the non-competitive subscriptions.

4. Invitation to bid

In principle, the invitation to bid is announced on the **Tuesday** preceding the auction, after 5:00 PM (CET) via the pages of the BDA on Bloomberg (BEDA) and LSEG² (BELG/OLO or BELG/FRN). The invitation mentions:

- the date of the auction;
- the value date for settlement and delivery of the allocated OLOs ;
- the specifications of the OLOs to be issued;
- the ISIN of the OLO lines which will be issued;
- the current outstanding of the OLO lines which will be issued;
- the dates of the non-competitive subscriptions;
- the value date for settlement and delivery of the OLOs issued through the non-competitive subscriptions.

In addition, the Bloomberg Auction System (BAS) automatically generates and sends an announcement message to each dealer authorised to bid in BAS.

On the Friday morning preceding the auction, the invitation to bid is completed by the range of the nominal amount to be auctioned, all lines together.

The ISIN of linear bonds is structured according to the ISIN standards: BE / 9 positions constituting the National Securities Identifying Number / 1 position for the single check-digit.

SIX Financial Information³ is the official securities numbering agency in Belgium, and is in this capacity responsible for the issuance of ISIN identifiers.

² LSEG Data & Analytics (formerly Refinitiv)

³ SIX Financial Information is a subsidiary of SIX Group

5. Submission of the bids

Bids must be submitted through BAS – page AUPD BLT – on the auction day from 11:30 until 12 noon (CET) at the latest. The bidder selects the current auction, then chooses the “Ticket” tab and introduces for each line to which he wants to subscribe the following figures:

- the amount of each bid (nominal amount);
The amount of the bid is expressed in million and as a multiple of € 1,000,000 with a minimum of € 10,000,000.
- the proposed price for each bid.

Bids which do not match the above requirements are refused.

The primary dealers are advised to open their BAS workstations at 11:30 AM (CET) 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 7030) and the BDA, Mr. Dominique Dalle (Tel. +32 (0)2 574 72 63).

In case of a BAS malfunction, the BDA may resort to an alternative procedure to submit bids. Primary dealers will then be advised about the steps to follow through personal e-mail or Bloomberg message or, and if needed through pages of the BDA on Bloomberg and LSEG, or the BDA’s website (<https://www.debtagency.be>). Possible procedures are:

- reopening of BAS;
- introduction of bids using Excel forms submitted via e-mail and confirmation over the phone (see annexes);
- introduction of bids via telephone.

6. The auction

Linear bonds are issued by auctions based on prices. Bids are allocated at the prices proposed.

All bids submitted at prices higher than the lowest price accepted by the BDA (stop price) are allocated for their full amount. Bids submitted at the stop price determined by the Agency 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 stop price of 99.50%:

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

Allocation percentage: 16.574 %

The allocated amounts will be:

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

7. Publication of the results

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

- via BAS, individual and global results for each bidder;
- and thereafter, via the pages of the BDA on Bloomberg (BEDA) and LSEG (BELG/OLO or BELG/FRN) on which the following data are published:
 - the total amount of valid bids;
 - the proposed minimum and maximum prices;
 - the stop price;
 - the allocated percentage at stop price;
 - the total amount allocated and the number of successful bidders;
 - the weighted average price and the weighted average yield of the auction;
 - the amount allocated to other institutions authorized to submit non-competitive subscriptions.

If the results of the auction are not released before 12:30 PM (CET) on the day of the auction, the BDA will inform the primary dealers of the reasons for the delay and of the possible consequences for the auction process. This communication will be done through personal e-mail or Bloomberg message, and if needed through the pages of the BDA on Bloomberg and LSEG.

If the results of the auction are not released before 2:00 PM (CET) on the day of the auction, it is assumed that the primary dealers have cancelled their bids unless a contrary notification is sent by the primary dealers to the BDA through an e-mail to frontoffice@debtagency.be or Bloomberg message before 2:00 PM. After consultation with the primary 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. The time to process all bids and publish all results can take longer than under normal circumstances.

Particularities:

- As stated in the Code of Duties of the Primary Dealers in Belgian Government Securities (point 2.6.1.), the PD whose accepted competitive bids total more than 15% of the amount issued in a line at an auction, informs the Belgian Debt Agency of the amount it has taken for its own account and for each of its customers (with no name disclosure). The PD will communicate the type of investor and the region of the client, as well as the amount sold and the price. This obligation does not apply to OLOs which are auctioned in the ORI facility.
- In the event of abnormal trading conditions in a specific line, the Belgian Debt Agency may require a PD to disclose the size of the position taken for its own account in that line. If the size of the position is likely to cause market distortions, the Belgian Debt Agency may request the PD to reduce the amount of the position.

8. 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 linear bonds, under certain conditions described in the Code of Duties of the Primary Dealers in Belgian Government Securities, at the weighted average price of the competitive auction.

Ordinary non-competitive subscriptions take place on the 3rd TARGET2 operating day following the auction between 11:30 AM and 12:00 noon (CET).

Special non-competitive subscriptions take place on the 5th TARGET2 operating day following the day of the auction between 11:30 AM and 12:00 noon (CET).

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

9. Settlement

9.1. Method

The BDA sends the results of the issuing process to the NBB SSS under the form of "already matched Instructions".

Hence, the BDA's counterparties do not have to send corresponding settlement instructions.

On the settlement day, the amount payable for subscriptions both in the Participant's own name and on behalf of its clients are debited from the Participant's Dedicated Cash Account. Simultaneously with the cash debit, the corresponding securities allocated to the Participant are credited to the Participant's Securities Account (SAC) as follows:

- the Participant's SAC on which securities are held by the Participant on its own behalf shall be credited with the amount of the securities subscribed for by that Participant in its own name;
- the concerned client SAC shall be credited with the amount of securities subscribed by the Participant on behalf of the said client.

9.2. Amount due

9.2.1. Fixed-rate OLOs

The amount paid by the bidder, on value date of the auction, corresponds to the price of the bids allocated plus accrued interest (I) or to the price of the subscriptions plus accrued interest (I).

I is calculated as follows :

$$I = Y * \frac{i}{100} * \frac{n}{b}$$

where:

- I is the amount of accrued interest;
- Y is the nominal amount allocated;
- i is the annual nominal interest rate of the linear bond⁴ ;
- n is the exact number of calendar days between the starting date of the current interest period – included – and the value date of the auction – not included;
- b is the exact number of calendar days between the starting date of the current interest period – included – and the next coupon payment date – not included.

⁴ In the case of an atypical coupon with a period of more or less than 1 year, the interest amount, expressed as a % of the nominal value, will be calculated in accordance with article 2 § 3 and § 4 of the Ministerial decree of December 12th, 2000.

9.2.2. Variable-rate OLOs (OLO FRN)⁵

The amount paid by the bidder, on value date of the auction, corresponds to the price of the bids allocated or to the price of the subscriptions plus accrued interests (I) which is calculated as follows:

$$I = Y * \frac{i}{100} * \frac{n}{360}$$

where:

- I is the amount of the accrued interest;
- Y is the nominal amount allocated;
- i is the annual nominal interest rate of the bond for the interest period within which the auction takes place;
- n is the exact number of calendar days between the starting date of the current interest period – included – and the value date of the auction – not included.

9.3. Value date

- For the competitive bids: on the 2nd TARGET2 operating day following the auction;
- For the ordinary non-competitive subscriptions: the day of the ordinary non-competitive subscriptions, being the 3rd TARGET2 operating day following the auction;
- For the special non-competitive subscriptions: the day of the special non-competitive subscriptions, being the 5th TARGET2 operating day following the auction.

9.4. Penalties

OLOs 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 BDA, 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 %. This compensation is calculated on the amount which should have been paid and is always a positive number owed by the subscriber to the BDA.

Furthermore, the bidder or subscriber owes the BDA a compensation corresponding to the positive difference, if any, between the amount payable of the cancelled bid or non-competitive subscription and the value of the bonds issued, on the basis of the indicative prices published by the BDA on the value date on its LSEG page BDAINFO/HOME and Bloomberg page BEDA – Indicative prices and yields for Belgian Government Securities.

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.

⁵ **Fixing of the floating rate of the OLO FRN:** the rate of the OLO FRN is fixed at 11 AM on the second TARGET operating date that precedes the date of the relevant interest period of 3 months. This rate corresponds to the offered rate "EURIBOR®" in the 3 months applicable in the Interbank market less the spread at which the relevant OLO FRN has been priced in the primary market; The rate is expressed in % with 3 decimals and is published on the pages of the BDA on Bloomberg (BEDA) and LSEG (BELG/FRN).

10. Payment of interest and reimbursement of the capital

On capital and interest maturity dates, the NBB SSS debits automatically the current account of the Treasury with the amount due and credits also automatically 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.

On the maturity date, participants will credit their clients' cash accounts with the amounts due (capital and/or interest). They will give them access to the funds with same day value. No reasons for delay will be accepted.

If the maturity date is a closing day of the TARGET2 system, interest and/or capital are paid on the first following TARGET2 operating day without late payment interest.

11. Contact persons

Front Office*	Back Office	NBB SSS
✉ frontoffice@debtagency.be	✉ backoffice@debtagency.be	✉ sss@nbb.be
Marc Comans ☎ +32 2 574 71 24	Dominique Dalle ☎ + 32 2 574 72 63	Jimmy Steenhout ☎ + 32 2 221 41 06
Jonas Vervoort ☎ +32 2 575 24 86	Jos Wauters ☎ + 32 2 574 71 68	David De Vleeschouwer ☎ + 32 2 221 41 18
Aziz Akahloun ☎ +32 2 576 79 61		
Jan Gilis ☎ +32 2 576 30 73		
Komla Agbati ☎ +32 2 576 79 15		
Maric Post ☎ +32 2 578 83 52		
Sander Dobbenie ☎ +32 2 577 38 38		

* Calls can be recorded as evidence of transactions.

The Belgian Debt Agency is committed to protecting your personal information, and will treat these personal data in line with the provisions of the Regulation (EU) 2016/679 of 27 April 2016 with regard (in particular) to the processing of personal data (GDPR). For more information: <https://www.debtagency.be> or dpo@debtagency.be

Brussels,

Maric Post
Director, Treasury and Capital markets

Dominique Dalle
Head Back-Office



Annexes

Annex 1: announcement e-mail alternative auction procedure

Today's OLO auction: emergency procedure

Dear Primary Dealer,

Due to a malfunction of the Bloomberg Auction System (BAS), the Crisis Committee of the Belgian Debt Agency has decided to resort to an emergency auction procedure.

The timing of the OLO auction will be:

- Starting : CET
- Closing: CET

Hereunder you will find the key elements of the emergency auction procedure.

1. Open and complete the attached Excel sheet (format .xlsx - Excel 2016). The security parameters of the bids can be found at the bottom of the Excel sheet.
2. Send the duly completed Excel sheet only once via e-mail to: auction@debtagency.be . The completed Excel sheet has to arrive before the auction closing time.
3. Confirm your bids via phone before the closing of the auction. The following phone numbers will be available:
 - Marc Comans: +32 2 574 71 24
 - Jonas Vervoort: +32 2 575 24 86
 - Aziz Akahloun: +32 2 576 79 61
 - Jan Gilis: +32 2 576 30 73
 - Komla Agbati: +32 2 576 79 15
 - Maric Post: +32 2 578 83 52
 - Sander Dobbenie: +32 2 577 38 38

When the allocation is finalised, the BDA sends out an e-mail to each individual PD with their accepted bids and announces that the general results can be checked on the Bloomberg BEDA and LSEG BELG/OLO pages.

Important remarks:

- Only the attached Excel sheet sent by e-mail can be used for the auction, and only one completed Excel sheet per dealer will be accepted,
- Maximum 5 bids per ISIN are accepted,
- Bids which do not match the requirements will be refused by the BDA's auction software,
- Please note that the time to process all bids and publish all results can take longer than under normal circumstances.

Annex 2: Excel form used for emergency competitive OLO auction

LINEAR BONDS (OLOs) | EMERGENCY FORM COMPETITIVE AUCTION

BIDDER

Trader : Dealer :

BELGIAN DEBT AGENCY

Please send this file to the following address: auktion@debtagency.be *This subscription form has to arrive **before** the auction closing time and the bids should be confirmed via phone.*

OLO Auction of day-month-year

Security name		ISIN	Security name		ISIN	Security name		ISIN	Security name		ISIN
AMOUNT	PRICE		AMOUNT	PRICE		AMOUNT	PRICE		AMOUNT	PRICE	
(in MM EUR)	(2 decimals)		(in MM EUR)	(2 decimals)		(in MM EUR)	(2 decimals)		(in MM EUR)	(2 decimals)	
1			1			1			1		
2			2			2			2		
3			3			3			3		
4			4			4			4		
5			5			5			5		

Security parameters of the bids :

Only bids in the dedicated (white) cells are accepted, maximum 5 bids per ISIN.

Amount: minimum EUR 10 MM

Amount: multiple of EUR 1 MM

Price: maximum 2 decimals

The following numbers will be available to confirm:

- Marc Comans: +32 2 282 61 21
- Jonas Vervoort: +32 2 282 61 15
- Aziz Akahloun: +32 282 61 26
- Komla Agbati: +32 2 282 61 10
- Jan Gilis: +32 2 282 61 19
- Maric Post: +32 2 282 61 14
- Sander Dobbenie: +32 2 282 61 11

Annex 3: Excel form used for emergency non-competitive OLO subscriptions

LINEAR BONDS (OLOs) | EMERGENCY FORM NON COMPETITIVE AUCTION

BIDDER

Trader : Dealer :

BELGIAN DEBT AGENCY

Please send this file to the following address: auktion@debtagency.be *This subscription form has to arrive **before** the auction closing time and the bids should be confirmed via phone.*

OLO Auction of *day-month-year*

<i>Security name1</i>	<i>ISIN</i>	<i>Security name2</i>	<i>ISIN</i>	<i>Security name3</i>	<i>ISIN</i>	<i>Security name4</i>	<i>ISIN</i>
AMOUNT <small>(in MM EUR)</small>	PRICE <small>(2 decimals)</small>	AMOUNT <small>(in MM EUR)</small>	PRICE <small>(2 decimals)</small>	AMOUNT <small>(in MM EUR)</small>	PRICE <small>(2 decimals)</small>	AMOUNT <small>(in MM EUR)</small>	PRICE <small>(2 decimals)</small>

Security parameters of the bids :

- | | |
|------------------------------|----------------------------|
| Amount: minimum EUR 1 MM | Max right Security name 1: |
| Amount: multiple of EUR 1 MM | Max right Security name 2: |
| Price: maximum 3 decimals | Max right Security name 3: |
| | Max right Security name 4: |

The following numbers will be available to confirm:

- Marc Comans: +32 2 282 61 21
- Jonas Vervoort: +32 2 282 61 15
- Aziz Akahloun: +32 282 61 26
- Komla Agbati: +32 2 282 61 10
- Jan Gillis: +32 2 282 61 19
- Maric Post: +32 2 282 61 14
- Sander Dobbenie: +32 2 282 61 11