

Kingdom of Belgium
Belgian Debt Agency
Avenue des Arts, 30
B-1040 Brussels



**Procedure Manual regarding
the issuance of**

treasury certificates

Free translation

PROCEDURE MANUAL REGARDING THE ISSUANCE OF TREASURY CERTIFICATES (TCs)

The current procedure manual applies to treasury certificates, the issuance of which is governed by the Ministerial Decree of December 12th, 2000, as amended.

Terminology

BDA :	Belgian Debt Agency
KOB:	Kingdom of Belgium
NBB :	National Bank of Belgium
NBB SSS :	National Bank of Belgium Securities Settlement System
BAS :	Bloomberg Auction System
TARGET2 :	Trans-European Automated Realtime Gross-settlement Express Transfer system
CET :	Central European Time
DCA :	Dedicated Cash Account
SAC :	Securities Account

Main features of treasury certificates

- **Short-term bills** with a maturity of maximum one year.
- 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 the CSDs SIX SIS, Monte Titoli and ESES Fr, and the ICSDs Euroclear Bank & 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 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 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 NBB for account of

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

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 treasury certificates at the weighted average yield of the auction. Their bids must be sent to the BDA before 11 AM (CET) on 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 per 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;
- the value date for settlement and delivery of the allocated treasury certificates;
- the date of the non-competitive subscriptions;
- 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 (BEDA) and Refinitiv (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;
- the 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, BAS automatically generates and sends a personal announcement message to each primary dealer authorised to bid in 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 / 9 positions constituting the National Securities Identifying Number /
1 position for the single check-digit.

SIX Financial Information² is the official securities numbering agency in Belgium, and is in this capacity responsible for the issuance of ISIN identifiers.

² SIX Financial Information is a subsidiary of SIX Group

Submission of the bids

Bids must be submitted through BAS - page AUPD BT (Belgian Treasury TBills) - on the auction day from 11 until 11:30 AM (CET) at the latest. The bidder selects the current auction, then chooses the "Ticket" tab and introduce 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 BDA 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 yield**

For every line the amount per yield is limited to maximum 25% of the target issuance amount. This amount will be communicated in the personal announcement message sent to each primary dealer via BAS.
- the proposed rate is a nominal interest rate which is expressed in units with three decimals.

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

Primary dealers are advised to open their BAS workstations at 11 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 70 30) and the BDA, Mr. Dominique Dalle (Tel. +32 (0)2 574 72 63).

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.

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, and if needed through the pages of the BDA on Bloomberg and Refinitiv, 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.

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 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 a personal announcement message.

- Procedure

- (1) The application of the 40% rule-procedure is communicated to all participants with the following Bloomberg 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 (BEDA) and Refinitiv (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 rounding. 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 (BEDA) and Refinitiv (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 personal Bloomberg message.

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 (BEDA) and Refinitiv (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 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 Refinitiv.

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 dealers have cancelled their bids unless a contrary notification is sent by the primary dealer 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.

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 yield of the competitive auction.

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

Special non-competitive subscriptions take place on the 4th TARGET2 operating day following the day of the auction between 11:00 AM and 11:30 AM (CET). If the exercise time should coincide with the timing of a TC auction, it will be advanced with one hour, i.e. from 10.00 AM to 10.30 AM (CET).

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

Settlement

• 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 DCA. Simultaneously with the cash debit, the corresponding securities allocated to the Participant are credited to the Participant's 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.

• Amount due

The **amount (C)** the bidder pays on value date of the issue, corresponds to the amount borrowed by the BDA 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 TARGET2 operating day following the competitive auction;
- For the special non-competitive subscriptions: the day of the special non-competitive subscriptions, which is the 4th TARGET2 operating day following the day of the auction.

• 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 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.

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

Front office	Back office	NBB SSS
Jan Gilis ☎+ 32 2 282 61 19	Dominique Dalle ☎+ 32 2 574 72 63	Jimmy Steenhout ☎+ 32 2 221 41 06
Nicolas Borreman ☎+ 32 2 282 61 11	François Legros ☎+ 32 2 574 74 02	Koen Geenen ☎+ 32 2 221 37 64
Jonas Vervoort ☎+ 32 2 282 61 15		Renan van der Wolf ☎+ 32 2 221 21 96
		Myriam Mattens ☎+ 32 2 221 29 45

Brussels,

Maric Post
Director, Treasury and Capital markets

Dominique Dalle
Head, Back-Office

Annex 1: announcement e-mail emergency auction procedure

Today's TC 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 TC 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 2 282 61 21
 - Nicolas Borreman: +32 2 282 61 11
 - Jonas Vervoort: +32 2 282 61 15
 - Jan Gilis: +32 2 282 61 19
 - Maric Post: +32 2 282 61 14
 - Stefaan De Smedt: +32 2 282 61 10

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 Refinitiv BELG/TC 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 TC auctions

TREASURY CERTIFICATES | EMERGENCY FORM COMPETITIVE AUCTION

BIDDER

Trader : Dealer :

BELGIAN DEBT AGENCY

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

Security name1		ISIN		Security name2		ISIN		Security name3		ISIN		Security name4		ISIN	
AMOUNT		YIELD		AMOUNT		YIELD		AMOUNT		YIELD		AMOUNT		YIELD	
(in MM EUR)		(3 decimals)		(in MM EUR)		(3 decimals)		(in MM EUR)		(3 decimals)		(in MM EUR)		(3 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

Yield: maximum 3 decimals

Max amt per yield for Security name1:

Max amt per yield for Security name2:

Max amt per yield for Security name3:

Max amt per yield for Security name4:

The following numbers will be available to confirm:

- Jan Gilis: +32 2 282 61 19
- Jonas Vervoort: +32 2 282 61 15
- Nicolas Borreman: +32 2 282 61 11
- Marc Comans: +32 2 282 61 21
- Maric Post: +32 2 282 61 14
- Stephaan De Smedt: +32 2 282 61 10

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



BIDDER	
Trader : <input style="width: 90%;" type="text"/>	Dealer : <input style="width: 90%;" type="text"/>

BELGIAN DEBT AGENCY	
Please send this file to the following address: auktion@debtagency.be	<i>This subscription form has to arrive before the auction closing time and the bids should be confirmed via phone.</i>

<table border="1" style="width: 100%; background-color: #76b82a; color: white;"> <tr><th>Security name1</th><th>ISIN</th></tr> <tr><th>AMOUNT</th><th>YIELD</th></tr> <tr><td>(in MM EUR)</td><td>(3 decimals)</td></tr> <tr><td> </td><td> </td></tr> </table>	Security name1	ISIN	AMOUNT	YIELD	(in MM EUR)	(3 decimals)			<table border="1" style="width: 100%; background-color: #76b82a; color: white;"> <tr><th>Security name2</th><th>ISIN</th></tr> <tr><th>AMOUNT</th><th>YIELD</th></tr> <tr><td>(in MM EUR)</td><td>(3 decimals)</td></tr> <tr><td> </td><td> </td></tr> </table>	Security name2	ISIN	AMOUNT	YIELD	(in MM EUR)	(3 decimals)			<table border="1" style="width: 100%; background-color: #76b82a; color: white;"> <tr><th>Security name3</th><th>ISIN</th></tr> <tr><th>AMOUNT</th><th>YIELD</th></tr> <tr><td>(in MM EUR)</td><td>(3 decimals)</td></tr> <tr><td> </td><td> </td></tr> </table>	Security name3	ISIN	AMOUNT	YIELD	(in MM EUR)	(3 decimals)			<table border="1" style="width: 100%; background-color: #76b82a; color: white;"> <tr><th>Security name4</th><th>ISIN</th></tr> <tr><th>AMOUNT</th><th>YIELD</th></tr> <tr><td>(in MM EUR)</td><td>(3 decimals)</td></tr> <tr><td> </td><td> </td></tr> </table>	Security name4	ISIN	AMOUNT	YIELD	(in MM EUR)	(3 decimals)		
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Security parameters of the bids :

Amount: minimum EUR 1 MM
 Amount: multiple of EUR 1 MM
 Yield: maximum 3 decimals

Max right for Security name1:
 Max right for Security name2:
 Max right for Security name3:
 Max right for Security name4:

The following numbers will be available to confirm:

- Jan Gilis: +32 2 282 61 19
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