REGULATION No 10/2024 of 30 July 2024 regarding the secondary market for government securities administered by the National Bank of Romania

ISSUER: NATIONAL BANK OF ROMANIA

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 Having regard to the provisions of Article 29 of Law No 312/2004 on the Statute of the National Bank of Romania, Article 3 paragraph (5^6) of the Government Emergency Ordinance no. 64/2007 on public debt, approved with amendments and additions by Law no. 109/2008, including subsequently amendments and additions, Articles 6 and 21 of the Framework Regulation regarding the market operations with government securities on the domestic market, approved by Order of the Minister of Finance no. 318/2022, including subsequent amendments, Regulation (EU) no. 909/2014 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, the Delegated Regulation (EU) 2018/1.229 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline and the Convention of the Ministry of Public Finance - National Bank of Romania No 184.575/13 of 23 September 2005,

 on the basis of Article 48 of Law No 312/2004 on the Statute of the National Bank of Romania and Article 3 paragraph (5^7) of the Government Emergency Ordinance no. 64/2007 on public debt, approved with amendments and additions by Law no. 109/2008, including subsequent amendments and additions,

 **The National Bank of Romania** issues this Regulation.

 CHAPTER I

 **General provisions**

 ARTICLE 1

 This Regulation lays down the rules for the organisation and functioning of the secondary market for government securities administered by the National Bank of Romania (hereinafter referred to as the "secondary market"), as defined in Article 20 of the Framework Regulation on market operations with government securities on the domestic market, approved by Order of the Minister of Finance no. 318/2022, as amended (hereinafter referred to as the "Framework Regulation").

 ARTICLE 2

 This Regulation establishes the following:

 a) the conditions, procedures for access to the secondary market and categories of participants;

 b) the conditions and the procedures for trading on the secondary market, as well as the obligations of the secondary market participants and of the Ministry of Finance as issuer;

 c) the procedures regarding the method of establishing and announcing the prices and quotations on the secondary market, the types of contracts and operations permitted on that market, and the applicable contract standards;

 d) monitoring compliance with the rules applicable to the secondary market to ensure its regular and orderly functioning, including its technical functioning, and the measures applied in the event of non-compliance with those rules;

 e) the method for managing and disseminating the to the public the information regarding the issuer, the issues traded and the access of participants to the secondary market.

 CHAPTER II

 **Secondary market participants and market makers**

 ARTICLE 3

 (1) They may participate directly in the secondary market:

 a) market dealers, as referred to in paragraph (2) and

 b) the entities referred to in paragraph (3), which carry out operations in government securities exclusively in their own name and for their own account.

 (2) The following entities may participate as dealers in the secondary market:

 a) primary dealers, as defined in Article 17 paragraph (1) of the Framework Regulation;

 b) credit institutions as defined in Article 4 paragraph (1), item 1 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and which do not fall under letter (a);

 c) financial investment services companies, as defined in Article 3 paragraph (1) item 74 of Law no. 126/2018 on markets in financial instruments, including subsequent amendments and additions, which are authorised by the Financial Supervisory Authority and do not fall under letter a);

 d) institutions equivalent to those referred to in letter c), authorised in the Member States of the European Union or in the other States within the European Economic Area.

 (3) Credit institutions, other than those participating as dealers in accordance with paragraph (2) letters (a) and (b), may also participate in the secondary market, in their own name and for their own account only. These entities may not open government securities accounts in the name of natural and/or legal persons.

 ARTICLE 4

 (1) In order to participate in the secondary market, the entities referred to in Article 3 must fulfil the following conditions:

 a) be authorised to carry on the following activities, depending on the capacity in which they operate on the secondary market:

 - trading in the name and for own account and/or in the name and for the account of customers in government securities;

 - intermediation of government securities through underwriting and placement;

 - custody and administration of government securities;

 b) have a distinct organisational structure, specific premises for carrying out operations with government securities, as well as specific technical facilities for trading activities, in accordance with the rules issued by the National Bank of Romania in application of this Regulation;

 c) have technical equipment specific to the custody activity;

 d) fulfil the criteria for access to the SaFIR deposit and settlement system for financial instruments administered by the National Bank of Romania, as set out in the SaFIR System Rules;

 e) have procedures on how to work with customers;

 f) to have procedures for the conduct of secondary market operations and for the internal control of the government securities business.

 (2) By way of exception, the entities referred to in Article 3 paragraph (3) shall not be required to fulfil the conditions set out in paragraph (1) letters c) and e).

 (3) The entities referred to in Article (2) letter a) may participate in the secondary market from the moment of acquiring the status of primary dealer, without the need to fulfil the requirements of paragraph (1).

 (4) Secondary market participants, with the exception of primary dealers, shall immediately notify the National Bank of Romania if they no longer fulfil any of the conditions for participation set out in paragraph (1).

 ARTICLE 5

 (1) The applicant entities, other than primary dealers, shall submit to the National Bank of Romania an application for acquiring the status of participant in the secondary market for government securities, together with the documentation completed, where appropriate, at the request of the National Bank of Romania, showing that the conditions for access set out in Article 4 paragraph (1).

 (2) Within 30 days of the National Bank of Romania's confirmation of receipt of the complete documentation, the National Bank of Romania shall approve the application for secondary market participant status or, where appropriate, reject it, stating the reasons.

 (3) If deemed necessary, the National Bank of Romania may consult the competent supervisory authority of the applicant entity when analysing the application for access.

 (4) The secondary market participant may waive the right of access to the market, by sending a notification to this effect to the National Bank of Romania, provided that it has no operations pending settlement in the SaFIR system. The notification shall take effect as from the business day following the date on which the National Bank of Romania has confirmed the fulfilment of this condition.

 ARTICLE 6

 (1) Primary dealers who have purchased on the primary market, in their own name and for their own account, government securities of a given issue are automatically registered as market makers for that issue.

 (2) Secondary market dealers, other than those mentioned in paragraph (1), may register as market makers for any issue of government securities by notifying the National Bank of Romania. The status of market maker shall become effective as from the trading day immediately following the submission of the notification.

 (3) A dealer may be registered as a market maker for a period of at least 60 calendar days for securities with a maturity of less than one year and at least 90 calendar days for securities with a maturity of more than one year.

 (4) The National Bank of Romania shall inform all secondary market participants of the identity of the registered market makers for each series of government securities, as well as of any changes thereto.

 ARTICLE 7

 (1) Market makers shall be required to post firm quotations and conclude operations on the basis of those quotations.

(2) Firm quotations shall be entered solely in the name and for the account of the market maker.

 CHAPTER III

 **Secondary market operations**

 ARTICLE 8

 (1) The secondary market shall operate on the principle of direct trading between participants, in accordance with the provisions of this Regulation and of the rules issued for its application.

 (2) Operations on the secondary market may be carried out only until the maturity of each issue and the settlement of operations shall be carried out through the accounts opened in the SaFIR system's books, in accordance with its system rules.

 (3) The spread between buying and selling prices shall be freely determined by the demand-offer ratio on the secondary market.

 ARTICLE 9

 Secondary market participants may carry out buy/sell, repo/reverse repo, sell/buy-back and buy/sell-back operations, free transfer operations and operations related to contracts secured with government securities.

 ARTICLE 10

 The National Bank of Romania shall establish by its own rules, issued in accordance with Article 29, the calculation formulae and conventions used in the trading of government securities on the secondary market.

 ARTICLE 11

 (1) Secondary market participants may display informative quotations for any issue of government securities.

 (2) The secondary market participants shall display firm and/or informative quotations on the contribution pages of the trading platforms or by any other means approved by the National Bank of Romania.

 (3) Secondary market dealers are required to display firm and/or informative quotations also at their points of business with clients.

 ARTICLE 12

 (1) The market maker may enter only one firm quote for the series of government securities for which it is registered.

 (2) The selling price in a quotation must be higher than the purchase price.

 (3) The introduction in a quotation or the modification of an existing quotation is prohibited if:

 (a) the purchase price is greater than or equal to the sale price of any other quotation existing in the market at the time of introduction;

 (b) the selling price is less than or equal to the purchase price of any quotation existing in the market at the time of introduction.

 ARTICLE 13

 (1) Firm quotations shall contain at least the following information:

 a) price expressed as a percentage;

 b) the quoted issue expressed as ISIN;

 c) the quoted nominal value;

 d) the period of validity;

 e) the settlement deadline.

 (2) For each issue of government securities, the National Bank of Romania shall establish and communicate the minimum quantity of government securities for which firm quotations are to be displayed.

 ARTICLE 14

 (1) Operations between dealers, carried out both on own account and on behalf of clients, may be concluded over the telephone and/or through trading platforms authorised by the National Bank of Romania.

 (2) Operations concluded on the secondary market must be immediately confirmed in writing by any means by one or both of the parties as agreed by them.

 (3) The confirmation shall include at least the following elements:

 a) series/series involved;

 b) the date on which the operation is finalised;

 c) the settlement date;

 d) type of operation;

 e) the value of the operation, expressed as the settlement value and the currency in which the operation is denominated;

 f) the accounts from/to which the funds will be disbursed;

 g) price expressed as a percentage.

ARTICLE 15

 (1) In the case of professional clients, as defined in Article 3 paragraph (1) item 9 of Law no 126/2018 on financial instruments markets, including subsequent amendments and additions, the confirmations shall comply with the requirements set out in Article 2 of Delegated Regulation (EU) 2018/1.229.

 (2) Secondary market dealers shall require retail customers, as defined in Article 3 paragraph (1) item 10 of Law no 126/2018, including subsequent amendments and additions, to send them all relevant information regarding the settlement of operations at the latest by 1.00 p.m. on the working day following the day on which the operation took place, in accordance with Article 3 of Delegated Regulation (EU) 2018/1.229.

 ARTICLE 16

 (1) Secondary market dealers shall ensure the priority in execution of client orders and shall not compete the execution of client orders with the execution of orders in their own name and for their own account.

 (2) Employees of secondary market dealers shall not be entitled to enter into operations at off-market prices, which are based on agreements of an onerous nature and/or are aimed at making profit for personal gain.

 (3) The personnel involved in the intermediation activity shall be prohibited from disclosing information related to operations concluded by clients.

 (4) Operations carried out outside the hours of operation of the secondary market or in places other than those specially designated for trading activity will be allowed only in exceptional circumstances, with the prior approval of the executive management of the respective dealer, in compliance with the applicable legal provisions.

 ARTICLE 17

 Operations concluded by secondary market participants in their own name and for their own account and/or in their own name and for the account of customers shall be reported daily to the National Bank of Romania, in the form and through the means of communication indicated in the rules issued by the central bank in application of this Regulation, no later than 6.00 p.m. on the day on which the operation was concluded.

 ARTICLE 18

 (1) State securities may be transferred without payment in the following cases:

 a) portfolio transfers;

 b) mergers, divisions or other such operations involving secondary market participants;

 c) inheritances, donations and other legal acts gratuitously entailing the transfer of ownership or other rights over government securities.

 (2) Secondary market dealers shall be required to request and verify the supporting documents underlying the free-of-charge transfers ordered by their clients.

 ARTICLE 19

 The National Bank of Romania, in its capacity as administrator of the secondary market, shall provide the market with information on the average daily price for each issue and, respectively, the traded volume by type of issue.

 ARTICLE 20

 The deposit of government securities and the settlement of operations with government securities carried out on the secondary market shall be performed through the SaFIR system, in accordance with the operating rules of the system, established by the National Bank of Romania.

 ARTICLE 21

 Operations of such a nature as to mislead the management of secondary market participants or the supervisory and oversight bodies as to the rights and/or obligations of participants as a result of entering into operations on the secondary market shall be prohibited.

 ARTICLE 22

 Secondary market participants must comply with the legislative framework in the area of preventing and combating money laundering and terrorist financing, the implementation of international sanctions and have in place an internal procedural framework adequate to the requirements of the applicable legislation in this area, in order to ensure that operations on the secondary market are not used for the purposes of fraud, money laundering, corruption or other illegal activities.

 ARTICLE 23

 The dissemination of information by any means whatsoever which gives, or is likely to give, false or misleading signals as to trading in government securities, including the spreading of rumours or false or misleading news.

 CHAPTER IV

 **Monitoring of participants and actions taken for breaches of secondary market rules**

 ARTICLE 24

 The National Bank of Romania shall monitor the conduct of the secondary market participants, ensuring compliance with the provisions of this Regulation and the rules issued for its application.

 ARTICLE 25

 (1) The National Bank of Romania may apply the following measures:

 1. a written warning for participants' failure to comply with the provisions of Chapter III and the rules issued by the National Bank of Romania in application of this Regulation;

 2. the temporary prohibition to carry out operations on the secondary market, for a period determined by the National Bank of Romania and communicated to the participant concerned, in the following situations:

 a) failure to comply with the conditions for participation in the secondary market set out in Article 4;

 b) the opening of insolvency proceedings for the secondary market participant;

 c) the suspension or withdrawal of the status of primary dealer in the situations covered by Article 47 paragraph (1) points 2 and 3 of the Framework Regulation;

 d) suspension of the SaFIR system participant status.

 (2) In the situation covered by paragraph (1) item 2 letter c), in order to resume operations on the secondary market, the participant shall submit to the National Bank of Romania an application, together with the documentation showing that the conditions for participation laid down in Article 4 paragraph (1).

 ARTICLE 26

 (1) A secondary market participant in government securities shall lose this status in the following situations:

 a) the judgement opening insolvency proceedings against it remains final;

 b) its participation in the SaFIR system has ceased;

 c) has not remedied the situation of non-compliance with the conditions for participation set out in Article 4, within the deadline agreed by the National Bank of Romania and communicated to the participant, which has led to the application of the measure set out in Article 25, paragraph (1) point 2 letter a);

 d) as a result of a request to waive the right of market access, made in accordance with the provisions of Article 5 paragraph (4).

 (2) The National Bank of Romania shall immediately inform the participants, the Ministry of Finance and the Financial Supervisory Authority, by any means, of the situations that have arisen in accordance with paragraph (1) and the measures applied in accordance with Article 25 paragraph (1).

 ARTICLE 27

 (1) At the request of the competent supervisory authority, the National Bank of Romania may prohibit an intermediary from acting as a market maker for a specific series of government securities.

 (2) The National Bank of Romania may prohibit a participant from acting as a market maker if it fails to fulfil the obligations set out in Article 7.

 (3) The measures taken by the National Bank of Romania in accordance with paragraphs (1) and (2) shall be notified to all secondary market participants.

 CHAPTER V

 **Transitional and final provisions**

 ARTICLE 28

 (1) The National Bank of Romania, as administrator of the secondary market mandated by the Ministry of Finance, shall encourage the establishment of professional associations in order to raise professional standards and to apply codes of conduct and professional ethics in the conduct of secondary market operations.

 (2) Secondary market participants shall consult the National Bank of Romania when drawing up the codes of conduct referred to in paragraph (1).

 ARTICLE 29

 The National Bank of Romania shall issue rules for the application of this Regulation, including the obligations of the secondary market administrator and custodians with regard to the establishment of security and control mechanisms related to information systems, aimed at protecting the property rights of holders of government securities, as well as the protection of confidential information, and the manner of ensuring the security of stored data and information, files and databases.

 ARTICLE 30

 (1) This Regulation shall be published in the Official Monitor of Romania, Part I.

 (2) On the date of entry into force of this Regulation, the repealed Regulation of the National Bank of Romania no. 12/2005 on the secondary market for government securities administered by the National Bank of Romania, published

in the Official Gazette of Romania, Part I, no. 882 of 30 September 2005, published in the Official Gazette of Romania, Part I, no. 882 of 30 September 2005, with subsequent amendments, shall be, any reference thereto being construed as a reference to this Regulation.

 Chair of the Board of Directors of the National Bank of Romania,

 **Mugur Constantin Isărescu**

 Bucharest, 30 July 2024.

 No 10.

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