ORDER No 318/2022 of 16 March 2022

approving the Framework Regulation on market operations with government securities on the domestic market

Having regard to:

- Article 10 paragraph (4) of Government Decision no. 34/2009 on the organisation and functioning of the Ministry of Finance, including subsequent amendments and additions;

- Article 3 paragraph (2) and Article 4 paragraph (6) of the Government Emergency Ordinance no. 64/2007 regarding the public debt, approved with amendments and additions by Law no. 109/2008, including subsequent amendments and additions,

**the Minister of Finance** issues the following order:

ARTICLE 1

The Framework Regulation on market operations with government securities on the domestic market is hereby approved, as set out in the Appendix which is integral to this Order.

ARTICLE 2

As of the date of entry into force of this Order, the Order of the Minister of Public Finance no. 2.245/2016 approving the Framework Regulation on market operations with government securities on the domestic market, published in the Official Gazette of Romania, Part I, no. 729 of 21 September 2016 is repealed.

ARTICLE 3

This Order shall be published in the Official Gazette of Romania, Part I, and shall enter into force on 1 May 2022.

APPENDIX

**FRAMEWORK REGULATION**

**regarding the market operations in government securities on the domestic market**

CHAPTER I

**General provisions**

ARTICLE 1

This Framework Regulation establishes:

a) the general terms and conditions of market operations with government securities carried out by the Ministry of Finance (hereinafter referred to as the MF) for the purpose of managing the government public debt and implementing the financing plan efficiently;

b) the obligations of the entities mandated by the MF to manage the primary and/or secondary market of government securities;

c) the obligations of the entities mandated by the MF to administer the deposit and settlement systems for government securities;

d) the rights and obligations of primary dealers on the domestic government securities market.

ARTICLE 2

(1) For the purposes of this Framework Regulation, market operations in government securities comprise:

a) the placements of government securities issued by the MF on the domestic market, in dematerialised form, in national currency or in foreign currency;

b) the liability administration operations, i.e. the early buy-back of government securities or the exchange of government securities, as defined in item 2.d) of the Methodological Rules for the application of the provisions of Government Emergency Ordinance no. 64/2007 on the public debt, approved by the Government Decision no. 1.470/2007, including subsequent amendments and additions (hereinafter referred to as the 2007 Methodological Rules);

c) the foreign exchange and interest rate risk administration operations, operations carried out in accordance with the provisions of the Government Emergency Ordinance no. 64/2007 on public debt, approved with amendments and additions by Law no. 109/2008, with subsequent amendments and additions, and of the 2007 Methodological Rule.

(2) For the purposes of this Framework Regulation, the placing and trading of government securities shall be carried out on primary and secondary markets having the following characteristics:

a) works regularly;

b) the regulations issued by the regulatory, authorisation and supervisory authorities or the market administrator shall define the conditions of operation and access to the market concerned;

c) comply with the reporting and transparency requirements established by regulation in order to ensure investor protection.

ARTICLE 3

(1) Government securities shall be issued according to an annual indicative programme, established and announced in December of each year by the MF. In exceptional and justified circumstances, until the publication of the annual indicative programme, monthly prospectuses shall be established in accordance with the specific budgetary circumstances and in consultation with market participants. The programme shall be detailed in regular announcements/issuance prospectuses and may be amended in line with developments in financial markets and financing needs.

(2) In order to ensure the permanent balance between the resources on the general current account of the State Treasury and the financing needs, the MF may announce other issues of government securities, at the latest on the working day preceding the day of the organisation of their placement.

(3) In order to hedge the specific risks of existing and/or future government debt obligations, the MF may announce during the year other market operations with government securities as underlying asset, as referred to in Article 2 paragraph (1) letters b) and c).

(4) Depending on the financing needs and/or the results of the public tender/subscription, the MF reserves the right to increase, decrease or cancel the awarded value of one or more series.

ARTICLE 4

the MF may issue regulations, act as market administrator and/or mandate, in whole or in part, the activities specific to the primary and/or secondary market for government securities to one or more market administrators in accordance with this Framework Regulation.

CHAPTER II

**Mandated market administrators**

ARTICLE 5

For the purposes of this Framework Regulation, the market administrator shall mean the entity mandated by the MF by convention or agreement to organise and coordinate the placement and trading of government securities issues, to issue regulations to this effect and other relevant documents.

ARTICLE 6

The mandated market administrators shall issue, with the approval of the MF, and maintain transparent and non-discriminatory regulations, based on objective criteria, on the conditions of access of participants and the methodology for conducting operations with government securities on the respective markets, in compliance with the applicable law.

ARTICLE 7

The primary/secondary market administration of government securities consists of:

a) elaboration, implementation and enforcement of regulations on the conditions and procedures for access/admission, exclusion and suspension of participants to/from the primary/secondary market of government securities;

b) setting the conditions, trading procedures and related obligations;

c) monitoring the activity of the participants, in accordance with the provisions of this Regulation and of the market administrators' own rules;

d) developing, implementing and applying procedures on how to determine and publish prices and quotations, types of contracts and operations allowed, contractual standards;

e) adopting the necessary measures for the regular and orderly functioning of the primary/secondary market, including its technical aspects, and to check that its rules are observed;

f) administration and dissemination to the public of information on issues of government securities;

g) ensuring the existence of information systems necessary for operations with government securities, development and implementation of security and control mechanisms of information systems for the protection of property rights over traded financial instruments and confidential information;

h) ensuring the safekeeping of received/created data and stored information, files and databases, including in the event of natural calamities, disasters and other special events.

ARTICLE 8

The authorised market administrator may also provide other related services as follows:

a) services for investigating the potential of the government securities market, investors' trading behaviour, market soundings on the desirability of developing new products, operations and instruments with government securities as underlying assets, including statistical analysis of the results;

b) organising round tables and symposia with the aim of developing the market, organising training courses and qualification courses for staff working in this market;

c) publishing and marketing materials in the field of government securities market.

ARTICLE 9

(1) The rules issued by the mandated market administrator shall include the obligations of participants relating to:

a) the organisation and administration of the government securities market;

b) the conditions and procedures for access and categories of participants;

c) the rules on placement and transactions on the government securities market;

d) the professional standards required of participants in these markets;

e) the conditions of access to the market administrator's information systems, where applicable;

f) the sanctions and/or measures applied for breaches of the rules set by the market administrator.

(2) For the primary market operations carried out on the market regulated and administered by the Bucharest Stock Exchange (hereinafter referred to as BVB), authorised and supervised by the Financial Supervisory Authority (hereinafter referred to as FSA), the regulations specified in paragraph (1) shall also include rules issued by the BVB for the implementation of this framework regulation, in accordance with the specific framework for the conduct of primary market operations.

ARTICLE 10

Authorised market makers shall allow access to participants who:

a) fulfil the conditions laid down in this Framework Regulation and the conditions laid down in the regulations of the market administrator;

b) provide proof of adequate technical endowment as determined by the market administrator;

c) have an organisational structure required by the regulations applicable to the internal market for government securities.

ARTICLE 11

(1) The National Bank of Romania (hereinafter referred to as the NBR), in its capacity as market administrator, shall prohibit the right of access of a participant if it no longer complies with the access conditions laid down in its regulations.

(2) The prohibition of the right of access shall be notified to the MF by the NBR.

(3) The market administrator shall be obliged to make available to the MF all the reasons and information that have led to the denial of access to a participant.

CHAPTER III

**Government securities market administered by the NBR**

SECTION 1

**The Evaluation Committee and the tasks of the MF on the government securities market administered by the NBR**

ARTICLE 12

(1) In order to analyse the activity of the applicant entities that have expressed their interest to become primary dealers, as well as the activity of primary dealers on the domestic government securities market administered by the NBR, an Evaluation Committee is established, consisting of 2 representatives of the MF and 2 representatives of the NBR.

(2) The members of the Evaluation Committee shall be appointed as follows:

a) the MF representatives by order of the Minister of Finance;

b) representatives of the NBR by order of the Governor of the NBR.

(3) The Secretariat of the Evaluation Committee is provided by the NBR - Market Operations Directorate.

(4) The Evaluation Committee is a permanent, consultative body with the following tasks:

a) analyse the fulfilment of the conditions set out in this Framework Regulation and in the regulations of market administrators in order to grant the status of primary dealer by the MF, for the applicant entities specified in Article 18 that have expressed their interest in becoming primary dealers, by submitting a request to this effect to the secretariat of the Evaluation Committee;

b) analyse the fulfilment of the conditions laid down in this framework Regulation and in the market administrators' regulations in order to maintain/withdraw the status of primary dealer by the MF in case of merger or division;

c) analyse on a continuous basis, on a monthly basis, the activity of the existing primary dealers in order to:

(i) the cumulative fulfilment/non-fulfilment of the obligations set out in Article 31;

(ii) the establishment by the MF of a ranking according to the performance of the primary dealers;

d) transmit to the MF the analyses referred to in a), b) and c).

ARTICLE 13

the MF has the following tasks on the government securities market administered by the NBR:

1. To decide through the specialised directorate regarding:

a) granting the status of primary dealer to the applicant entities specified in Article 18 on the basis of the analysis submitted by the Evaluation Committee as specified in Article 12 paragraph (4) letter a);

b) maintaining the status of primary dealer as a result of the evaluation committee's analysis as specified in Article 12 paragraph (4) letter b);

c) settling appeals, based on the provisions of the regulations in force applicable to the activity of primary dealers, in accordance with the provisions of Article 46.

2. To publish the ranking of the primary dealers according to the performance of the activity carried out by the primary dealers, based on the analysis of the Evaluation Committee as specified in Article 12 paragraph (4) letter c) point (ii).

SECTION 2

**Primary market for government securities administered by the NBR**

ARTICLE 14

(1) The primary market for government securities administered by the NBR shall comprise all operations related to the issuance by the MF of government securities and their placement through the NBR in order to attract, in the short, medium or long term, available financial capital.

(2) Government securities shall be placed on the primary market administered by the NBR through public subscription, tender, syndication or any other method established and agreed by the issuer together with the NBR, in its capacity as market administrator, in accordance with this Framework Regulation.

ARTICLE 15

The primary market for government securities administered by the NBR shall operate in accordance with this Framework Regulation and the regulations issued by the NBR in its capacity as market administrator.

ARTICLE 16

Participants in the primary market for government securities administered by the NBR are primary dealers that may carry out operations in their own name and for their own account and/or in the name and on behalf of and for the account of their clients, individuals and/or legal entities, resident or non-resident.

ARTICLE 17

(1) For the purposes of this Framework Regulation, a primary dealer shall mean any of the entities specified in Article 18 which has been accepted by the MF, following fulfilment of the conditions laid down by the applicable law, to carry out operations with government securities on the domestic market directly with the MF and which has signed the bilateral agreement presented as a model in the Annex which forms an integral part of this Framework Regulation.

(2) The provisions of the agreement may be amended by agreement of the parties without the amendments thereto creating discriminatory treatment between the primary dealers with which the MF has such agreements.

ARTICLE 18

Primary dealers can be:

a) credit institutions as defined in Article 4 paragraph (4) 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, authorised in Member States of the European Union and/or in other States belonging to the European Economic Area;

b) 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;

c) institutions equivalent to those referred to in letter b), authorised in the Member States of the European Union and/or in the other States belonging to the European Economic Area;

d) other entities, with the exception of those referred to in letter a), b) and c), accepted by the MF to carry out directly operations with government securities on the domestic primary market, in compliance with the applicable law.

ARTICLE 19

Entities applying for primary dealer status must comply with the access conditions and criteria set out in the regulations issued by the MF and the market administrator in this respect.

SECTION 3

**Secondary market for government securities administered by the NBR**

ARTICLE 20

The secondary market for government securities administered by the NBR represents the totality of transactions in government securities between the holders of these financial instruments.

ARTICLE 21

Transactions on the secondary market for government securities administered by the NBR are carried out in accordance with the regulations issued by the NBR.

ARTICLE 22

A secondary market participant is an entity which has been accepted by the NBR to carry out operations with government securities on the secondary market following fulfilment of the access conditions established in the regulations issued by the NBR.

SECTION 4

**Early buy-back operations and operations of exchange of government securities carried out by the MF on the primary and secondary market for government securities administered by the NBR**

ARTICLE 23

(1) With a view to the administration of public government debt by the MF, the NBR, as market administrator, regulates and organises the conduct of tenders for the operations of early buy-back of government securities and, respectively, of exchange of government securities, referred to in Article 2 paragraph (1) letter b)

(2) Early buy-back operations of government securities and operations of exchange of government securities shall be carried out on the primary and secondary government securities market administered by the NBR.

ARTICLE 24

(1) Early buy-back operations of government securities and operations of exchange of government securities, carried out by the MF on the government securities market administered by the NBR, shall be carried out through a tender organised by the NBR.

(2) The organisation of the tenders referred to in paragraph (1) shall be established by regulations issued for this purpose by the NBR, as market administrator.

(3) The participants in early buy-back operations of government securities and operations for the buy-back of government securities, carried out on the government securities market administered by the NBR, are the primary dealers who fulfil the conditions for participation in such operations, established in the NBR's regulations, in its capacity as market administrator.

SECTION 5

**Market committee and market maker activity**

ARTICLE 25

(1) In order to efficiently organise and operate the activity of primary dealers on the listing platform approved by the MF, a Market Committee shall be set up, consisting of one representative of each primary dealer, three representatives of the MF and one representative of the NBR.

(2) The members of the Market Committee shall be appointed as follows:

a) the representative of each primary dealer is designated by the institution he represents in a letter addressed to the MF and the NBR;

b) the MF representatives by order of the Minister of Finance;

c) the NBR representative by order of the NBR Governor.

(3) The Market Committee shall have the following tasks:

a) establish the listing conditions on the electronic listing and trading platform authorised by the MF;

b) establish the series of government securities/maturities for which primary dealers will carry out specific market-making activities by providing firm bid-ask quotes.

(4) The Market Committee is a permanent body, which meets at a frequency determined by its own rules of procedure and takes all decisions by vote, with the MF members having the right of veto.

ARTICLE 26

(1) In order to ensure and increase transparency in the pricing and liquidity of government securities, primary dealers shall carry out specific activities as market makers for the series of government securities or maturities established by the Market Committee, by providing firm bid and offer quotes on the electronic quotation and trading platform agreed by the MF, in accordance with the provisions of this framework Regulation and under the conditions agreed by the Market Committee.

(2) The listing activity carried out by the participants on the electronic platform authorised by the MF is not a substitute for the trading activity of government securities.

ARTICLE 27

(1) The activity of market maker is analysed and assessed by the MF in accordance with the calculation methodology set out in this section and constitutes one of the criteria for assessing the performance of the primary dealers' activity on the secondary market, which is taken over in the market administrator's regulations.

(2) The analysis and evaluation of the market maker's activity shall be carried out on a monthly basis, on the basis of the activity reports provided daily by the electronic platform approved by the MF. The evaluation period shall comprise the working days of the month in question, with the adjustments provided for in Article 29 paragraph (4) letter d).

(3) The rating activity of market makers shall be analysed on the basis of the indicators referred to in Article 28 and the corresponding scores, by applying the calculation methodology set out in Article 29.

ARTICLE 28

(1) The minimum daily quotation obligations on the electronic quotation and trading platform, which must be fulfilled cumulatively, are the following:

a) the provision of bid-ask quotes for the series of government securities specified in letter d), for a minimum of 5 hours a day, between 9:00 am and 5:30 pm;

b) the maximum bid-ask spread is 25 basis points;

c) the minimum volume for each series of listed government securities shall be MDL 10 million, both for the bid and the ask quotation;

d) the listing of at least 4 series of government securities among those periodically determined by the Market Committee, as follows: two series with a residual maturity of less than 5 years and two series with a residual maturity of 5 years or more.

(2) the MF shall notify the primary dealers in advance of any changes to the obligations referred to in paragraph (1) and their period of application.

ARTICLE 29

(1) The total score for market maker activity shall be 15 points and shall be allocated to each primary dealer on the basis of compliance with the minimum listing obligations for the evaluation period, as set out in paragraph (2) and (3).

(2) Primary dealers that fulfil the minimum quoting obligations for each criterion set out in Article 28 on each business day of the evaluation period shall be awarded 7.5 points and shall be eligible to receive points for performance above the minimum quoting obligations. If one or more of the minimum quoting obligations is not met on any of the days of the evaluation period, the score allocated under this paragraph shall be zero, in which case primary dealers in the situation referred to in paragraph (4) letter c) point (ii) shall qualify for the points awarded under paragraph (3).

(3) Primary dealers that outperform the minimum rating obligations for each criterion set out in Article 28, within the limits set out in paragraph (4) letter c), shall be allocated the difference of 7.5 points up to the total score, pro rata as follows:

a) 2.5 points - the daily weighted average of the quotation margin, by firm quotation of the weighted average bid-ask spread less than 25 basis points. The weighting in the case of each primary dealer shall be carried out with the effective quotation period on each series of government securities for which firm quotes are offered;

b) 2.0 points - the daily weighted average of the volume of securities quoted, through the firm quotation of a weighted average volume of securities in excess of RON 10 million. The weighting in the case of each primary dealer shall be carried out with the effective quotation period on each series of government securities for which firm quotes are offered;

c) 1.5 points - the daily average of the quotation period, with an average quotation time of more than 5 hours;

d) 1.0 points - the daily number of series of government securities with a residual maturity of 5 years or more, through the firm quotation of more than 2 series of government securities with a residual maturity of 5 years or more;

e) 0.5 points - the daily number of series of government securities with a residual maturity of less than 5 years, by firm quoting of more than 2 series of government securities with a residual maturity of less than 5 years.

(4) The calculation methodology applicable to paragraph (3) is as follows:

a) for each criterion specified in Article 28, individual daily coefficients shall be calculated at the end of each quotation day, on the basis of the average values recorded individually by each primary dealer in relation to the reference values of the minimum quoting obligations, as follows:

(i) the difference between the individual value recorded by each primary dealer and the reference values is determined, with the exception of the bid-ask spread where the difference is determined between the maximum spread (25 basis points) and the average spread realised by the primary dealer. Within a criterion, if the individual value is equal to the reference value, the individual daily coefficient is zero;

(ii) determine the maximum value of the indicator calculated in point (i);

(iii) the individual daily coefficients under each criterion shall be determined according to the following formula:

Czi = Di / Mc,

where:

Cday - individual daily coefficient;

Di - the difference between the individual value and the reference value related to the minimum bid and offer spread (in the case of the bid-ask spread, the difference between the maximum spread of 25 basis points and the average spread realised by the primary dealer is calculated);

Mc - the maximum of the values Di recorded under the criterion by the primary dealers, if the primary dealer fulfils the minimum daily quoting obligations for the criterion; if the primary dealer does not fulfil the minimum daily quoting obligations for the criterion, Mc is replaced by Vr;

Vr - the reference value - 25 basis points for the bid-ask spread, RON 10 million for the volume of securities listed, 5 hours for the average time of quotation, 2 for the number of daily listed series with a residual maturity of 5 years or more and 2 for the number of daily listed series with a residual maturity of less than 5 years;

b) the score for the evaluation period is calculated using the individual daily coefficients for each criterion. The steps for calculating the total score for the evaluation period shall be as follows:

(i) the monthly average of the individual daily coefficients for a given criterion is calculated for each primary dealer;

(ii) the individual score for each criterion for each primary dealer is calculated according to the following formula:

Pic = (Mli / MaxMli) x Pc,

where:

Pic - the individual score for that criterion;

Mli - the monthly average of the individual daily coefficients for the respective criterion for each primary dealer;

MaxMli - the maximum value of the Mli of the primary dealers under the criterion;

Pc - criterion score;

(iii) each primary dealer's score for the evaluation period for performance exceeding the minimum rating obligations is obtained by summing the Pic values for each criterion;

(iv) the total score for the activity of market maker is obtained by adding the score obtained under point (iii) to the score obtained under paragraph (2), and on this basis the ranking for the evaluation period is established;

c) if a primary dealer does not fulfil all minimum daily quoting obligations, for each criterion, during the evaluation period:

(i) for more than 5 working days does not receive the score related to the market maker activity for the evaluation period, and the provisions of Article 48 will apply;

(ii) no more than 5 working days shall be calculated in accordance with paragraph (4) letter a) item (iii) positive individual daily coefficients for the criteria met and negative individual daily coefficients for those not met, the resulting positive individual daily coefficients being allocated to the primary dealer. The negative coefficients are calculated in the same way as the individual daily coefficients, by replacing Mc by Vr. The limit for individual daily negative coefficients

is -1 for primary dealers who have not quoted on the day or have quoted margins above the 50 basic points;

d) where the minimum listing obligations are not met on a day or days by half plus 1 or more primary dealers, the Market Committee shall assess the situation and may decide, in justified cases due to extraordinary events, to remove the day or days in question from the evaluation period.

SECTION 6

**Rights and obligations of primary dealers**

ARTICLE 30

Primary dealers have the following rights:

a) may be a counterparty in the relationship with the MF, according to the criteria considered by the MF for each type of operation with government securities, as well as other criteria required for the conduct of secondary market operations of government securities, early buy-back of government securities, pre-repo of government securities, repo and reverse repo, collateralised placements, government securities lending facility, derivative transactions, etc., where the specific procedural framework for public debt administration related to these operations so provides and allows, in respect of:

(i) direct participation in public tenders and subscriptions of government securities organised on the primary market, by submitting bids in its own name and for its own account and/or in the name and on behalf of and for the account of clients;

(ii) direct participation in additional non-competitive bidding sessions, by submitting bids in their own name and on their own account, in accordance with the applicable legal provisions in force;

(iii) participating directly in the early buy-back of government securities and/or in the exchange of government securities organised by the MF, by submitting bids in its own name and for its own account and/or in the name and on behalf of and for the account of its clients;

(iv) direct participation in liquidity administration operations (repo and reverse repo transactions, collateralised placements) and the use of the security lending facility and in carrying out derivative transactions (foreign exchange swaps, interest rate swaps) on the basis of ISDA documentation, where the specific procedural framework for public debt related to these operations provides for and allows it;

b) use the title of "Primary Dealer on the domestic government securities market" or, as the case may be, the title of "Best Romanian Primary Dealer" as a result of being ranked first in the last evaluation of the performance of the activity on the government securities market carried out in accordance with the provisions of Article 35 of this Framework Regulation, during the period of validity of the respective ranking;

c) may be a counterparty in the relationship with the MF in the selection process of administrators or intermediaries for the issues carried out on the external markets, depending on the performance recorded in the activity performed on the primary and secondary market of government securities, on the existence of capabilities in terms of carrying out these operations, provided that they are part of the list of dealers approved by the MF within the external issuance programme; under these conditions, they may participate in promotional tournaments on the external markets, together with representatives of the MF and/or of the NBR;

d) may become a counterparty of the Romanian State through the MF in connection with other types of loans contracted or guaranteed directly by the State, when the specific procedural framework of public debt provides for and allows this;

e) participate in marketing activities on the government securities market among investors, together with representatives of the NBR and/or the MF;

f) take part in consultations on the public debt administration strategy or the issuance policy of the MF;

g) attend the meetings of the Market Committee;

h) provide recommendations on legislative amendments in the area of public debt.

ARTICLE 31

Primary dealers have the following obligations, which must be fulfilled cumulatively:

a) award in its own name and/or on behalf of clients a minimum of 3% of the total amount awarded by the MF, related to government securities issues placed during the assessed period on the domestic market, denominated in national currency and/or in foreign currency; the calculation methodology and the assessed period are set in the market administrator's regulations;

b) award in its own name a weighted amount of at least 2% of the total weighted amount awarded by the MF, related to the issues of government securities placed during the assessed period on the domestic market, denominated in national currency and/or in foreign currency; the weighting coefficients, the calculation methodology, as well as the evaluation period are set in the market administrator's regulations;

c) carry out on own account on the secondary market bid-ask transactions in government securities issued on the domestic market in national currency or in foreign currency, with a weighted settlement value of at least 3% of the weighted total of transactions in government securities carried out on the secondary market during the assessed period; the weighting coefficients, the calculation methodology, as well as the evaluation period shall be established in the market administrator's regulations;

d) fulfil the minimum daily listing requirements specified in Article 28 on the electronic quotation and trading platform approved by the MF;

e) maintain custody accounts for clients in its own books.

ARTICLE 32

Primary dealers collaborate with the MF by carrying out the following activities:

a) provide the MF advice, i.e. provides data and analyses on market conditions, including opinions received from clients, provides access to analytical reports issued by its own research departments on topics relevant to the government securities market and public debt administration activity, such as: macroeconomic and financial conditions, fixed income instruments market, asset class allocation strategies, etc., both locally and internationally;

b) provide monthly reports in the format requested by the MF, resulting after prior consultation with the primary dealers, as well as any information and/or documents requested by the MF in relation to the activity carried out on the government securities market;

c) encourage the exchange of information and experience, on topics such as portfolio administration, risk administration techniques, etc., and provides specific recommendations on legislative amendments in the area of public debt;

d) provide, at the request of the MF, firm or indicative quotes for secondary market transactions in government securities, buy-backs/ buy-backs/ buy-backs of government securities prior to maturity, reverse transactions, collateralised placements and access the government securities lending facility, where the specific procedural framework for public debt provides for and allows it;

e) may organise actions to broaden and diversify the customer base investing in government securities issued on the domestic market in national or foreign currency, through promotional activities, non-deal roadshow/teleconference calls organised with and for investors and through accounts opened for new customers.

SECTION 7

**Assessing and monitoring the activity of primary dealers on the government securities market administered by the NBR**

ARTICLE 33

(1) The administrator of the primary and/or secondary market for government securities shall establish and maintain effective procedures to ensure compliance with the provisions of this Framework Regulation and its own regulations.

(2) The market administrator shall monitor the activity carried out by primary dealers for breaches of primary or secondary market rules, with the exception of the activity of market maker regulated in Section 5 of Chapter III of this Framework Regulation.

ARTICLE 34

(1) For the maintenance/withdrawal of the status of primary dealer by the MF, the Evaluation Committee shall monitor on a continuous basis, on a monthly basis, the cumulative fulfilment by primary dealers of the obligations set out in Article 31. The calculation methodology, the monitoring period, as well as the weighting coefficients in relation to the obligations set out in Article 31 shall be established in the market administrator's regulations, with the opinion of the MF.

(2) The result of the monitoring according to paragraph (1) of the activity of primary dealers on the government securities market administered by the NBR, together with the decision of the MF, through the specialised directorate, to maintain/withdraw the status of primary dealer, shall be communicated to each primary dealer, on a monthly basis, by the Evaluation Committee.

ARTICLE 35

(1) For statistical purposes, as well as in order to establish a ranking of primary dealers by the MF, the Evaluation Committee shall assess on a continuous basis, on a monthly basis, the activity carried out on the government securities market, with quantitative and qualitative elements being monitored. The evaluation criteria leading to the establishment of a score corresponding to the quantitative and qualitative elements, the calculation methodology, the evaluation period and the weighting coefficients are laid down in the market administrator's regulations, with the approval of the MF.

(2) The result of the evaluation according to paragraph (1) of the activity of primary dealers on the government securities market administered by the NBR, together with the decision of the MF on the ranking of primary dealers, shall be notified to each primary dealer, on a monthly basis, by the Evaluation Committee.

ARTICLE 36

The monitoring and evaluation of the primary dealer's activity shall take into account the activities carried out in accordance with the provisions of this Framework Regulation and the market administrator's regulations.

CHAPTER IV

**Government securities market administered by the BVB**

SECTION 1

**Primary market operations carried out on the regulated market administered by the BVB, authorised and supervised by the FSA**

ARTICLE 37

(1) The primary market of government securities comprises all the operations related to the issuance by the MF of government securities and their placement through the mechanisms of the BVB, in order to attract available financial capital in the short, medium or long term.

(2) On the primary market administered by the BVB regulated and supervised by the FSA, the MF may issue government securities to different categories of investors, such as individuals, or other categories of investors.

(3) The operations shall be carried out in accordance with the provisions of the agreement concluded between the MF, FSA, BVB, the Central Depository, as well as the documents issued in its application, which may also cover other specific elements for the performance of primary market operations, such as the allocation period, the allocation method, the right of other participants of the BVB to carry out purchase operations and others.

(4) The method of sale, the categories of investors, the characteristics of the issues of government securities, as well as the intermediaries selling them shall be announced by the MF through issue prospectuses.

(5) The intermediation activities referred to in paragraph (4) shall be carried out by intermediaries that are participants of the BVB, according to its regulations.

SECTION 2

**Secondary market operations carried out on the regulated market administered by the BVB, authorised and supervised by the FSA**

ARTICLE 38

The secondary market for government securities of the BVB is organised and operates in accordance with the regulations issued in this respect by the FSA and the BVB regulations approved by the FSA.

CHAPTER V

**Government securities depositories**

ARTICLE 39

(1) The deposit and settlement of operations with government securities shall take place within the deposit and settlement systems for government securities, administered by the entities mandated by the MF as depositories of government securities, in accordance with the legal framework and rules of the respective systems.

(2) Depository and settlement systems for government securities shall provide the depository function for these instruments and shall be organised on the basis of direct and/or indirect holdings, where indirect holdings are characterised by one or more levels of intermediaries between the depository of government securities and the final holder of government securities.

(3) For the purposes of this Chapter, intermediary shall mean an entity which holds in custody and administers government securities for its customers in accordance with the regulations in force.

(4) Ownership of government securities, for participants in the deposit and settlement system, shall be acquired by book-entry of government securities in their own name in the depository's books. In all other cases, depending on the holding system, ownership is acquired through book-entry in accounts opened in the name of customers in the records of intermediaries, subject to the existence of government securities in the depository's records, in the case of the indirect holding system, or through book-entry in individual accounts opened by participants in the depository's system, in the case of the direct holding system.

(5) The right of ownership of government securities, as well as the determination of the enforceability, content, extent and effects of government securities provided as collateral shall be governed by the law of the State where the rights have been validly registered, in accordance with the provisions of Article 10 of Law no. 253/2004 on settlement finality in payment and securities settlement systems, as subsequently amended and supplemented, and Article 13 of Government Ordinance No 9/2004 on certain financial collateral arrangements, approved with amendments and supplements by Law No 222/2004, as subsequently amended and supplemented.

(6) The processing of transactions in government securities within the deposit and settlement systems for transactions in government securities shall be carried out in accordance with the regulations issued by the depositories of government securities.

ARTICLE 40

Intermediaries shall report their clients' holdings separately from their own holdings.

ARTICLE 41

(1) The settlement of transactions in government securities in deposit and settlement systems shall be carried out in accordance with the "delivery versus payment" principle (DVP principle), according to which the delivery of financial instruments shall be realised if and only if the corresponding funds are paid. In deposit and settlement systems, transfers may also be effected without payment, only for those transactions in financial instruments which do not require a corresponding transfer of funds, subject to the rules of the respective systems.

(2) The depository of government securities shall not be liable for the transfer of ownership in the accounts opened in the records of intermediaries.

(3) Government securities market intermediaries shall be directly responsible for ensuring compliance with the principle of DVP for the settlement of transactions carried out on behalf of their clients, including on behalf of other participants for which they act as settlement agent in the system, in accordance with the regulations issued by the depository of government securities.

(4) In the case of government securities admitted to trading on the regulated market, administered by the BVB, authorised and supervised by the FSA, the transfer of ownership of government securities shall be carried out in accordance with the legal framework applicable to capital markets.

ARTICLE 42

Depository and settlement systems for government securities manage guarantee contracts differently, depending on whether the provisions of are applicable to them Government Ordinance no. 9/2004 on some financial guarantee contracts, approved with amendments and additions by Law no. 222/2004, as amended, or of Law no. 287/2009 on the Civil Code, republished, as amended,

ARTICLE 43

The registration of securities mortgages and any encumbrances on government securities shall be carried out in compliance with the regulations issued by the depositories of government securities and in accordance with the relevant legal provisions.

ARTICLE 44

The settlement of funds related to operations with government securities shall be carried out in compliance with the relevant regulations and with the rules of the systems in which the funds are settled.

ARTICLE 45

On days declared by the Government of Romania as non-business days, but which are bank days, payment events such as coupon/dobt, partial/full buy-back, optional buy-back, related to issues of government securities maturing on these days, are postponed to the first following business day, without payment of interest on arrears.

CHAPTER VI

**Sanctions**

ARTICLE 46

Sanctions for breach of the provisions of this Framework Regulation shall be applied by the MF, BVB and FSA in accordance with the provisions of this chapter and the applicable law.

ARTICLE 47

(1) the MF, through its specialised directorate, shall apply the following types of sanctions:

1. written warning for failure by primary dealers to comply with any of the obligations set out in Article 31 letters a) - c) and e);

2. suspension of the status of primary dealer as a result of non-compliance with the provisions of Article 10 and in accordance with the provisions of Article 11, paragraphs (2) and (3);

3. withdrawal of the primary dealer status in the following situations:

a) following the analysis of the Evaluation Committee as specified in Article 12 paragraph (4) letter b);

b) following a request to terminate the bilateral agreement between the primary dealer and the MF by either party;

c) the opening of insolvency proceedings for the primary dealer.

(2) The withdrawal of primary dealer status of a non-resident participant shall be communicated by the MF to the supervisory authority/competent authority of the home state.

ARTICLE 48

For failure to comply with the obligations related to the activity of market maker referred to in Article 31 letter (4) letter d), the MF shall apply sanctions to primary dealers, which may consist in the partial or total suspension of the rights of primary dealers provided for in Article 30.

**#M1**

ARTICLE 49

*(1) The accumulation of three sanctions imposed in accordance with the provisions of Article 47 paragraph (1) point 1 within a period of 12 consecutive months shall lead to the need to enter a period of special monitoring of the primary dealer concerned, which may be followed by the withdrawal of the status of primary dealer in accordance with the provisions of this Article.*

*(2) Within 30 days of the receipt by the primary dealer of the MF notification regarding the third sanction imposed in accordance with paragraph (1), that primary dealer shall submit a concrete plan of measures to remedy the activity for which it has been sanctioned.*

*(3) Withdrawal of primary dealer status shall apply automatically:*

*a) in the event of failure to submit the plan referred to in paragraph (2); or*

*b) if at the end of a period of six months, calculated from the first working day of the calendar month following the date of submission of the action plan, the primary dealer fails to fulfil any of the obligations set out in Article 31 letters (a) to (c) and (e) of this Framework Regulation.*

*(4) A primary dealer may benefit from the application of the provisions referred to in paragraphs (1) to (3) only once within a period of 5 consecutive years, which period shall be calculated from the period specified in paragraphs (3) letter b).*

*(5) Where, during the 5-year period referred to in paragraph (4), that primary dealer, to whom the mechanism provided for in paragraphs (1) to (3), accumulates again three penalties imposed in accordance with the provisions of Article 47 paragraph (1) point (1) within a period of 12 consecutive months, the withdrawal of the status of primary dealer shall be automatic.*

**#B**

ARTICLE 50

(1) The sanction provided for in Article 47 paragraph (1) point 1 shall be communicated by the MF by a notification sent to the primary dealer.

(2) The primary dealer may lodge an appeal against the sanctions communicated pursuant to paragraph (1) by registering it at the MF office within 5 calendar days of receipt of the notification.

(3) The resolution of the appeal shall be communicated to the primary dealer by the MF by a letter signed by the MF within 5 working banking days of receipt of the appeal.

(4) If the last day of the time limit for lodging the appeal is a non-working day, the time limit shall be extended until the first following working day.

ARTICLE 51

(1) The penalties provided for in Article 47 paragraph (1) point (2) and Article 48 shall be communicated by the MF by means of a notification sent to the primary dealer, specifying the date and the period of application.

(2) The primary dealer may lodge an appeal against the sanctions communicated pursuant to paragraph (1) by registering it at the MF head office within 5 calendar days of receipt of the notification.

(3) The resolution of the appeal shall be communicated to the primary dealer by the MF by a letter signed by the MF within 5 working banking days of receipt of the appeal.

(4) If the last day of the time limit to submit/serve the appeal is a non-working day, the time limit shall be extended until the first following working day.

(5) While the appeal is being settled, the application of the sanction concerning the withdrawal of the status of primary dealer shall be suspended.

**#M1**

ARTICLE 52

*the MF shall send to the primary dealer the notification of withdrawal of the status of primary dealer in the cases referred to in Article 47 paragraph (1) item 3, respectively the notification of the withdrawal of the status of primary dealer in the case referred to in Article 49, in which cases the notified primary dealer will no longer be able to participate in the government public debt administration operations on the market administered by the NBR, starting from the first working day of the month following the date of the notification, except for the government public debt administration operations on the market administered by the NBR in progress, which will be finalised in accordance with the applicable provisions.*

**#B**

ARTICLE 53

(1) The penalties imposed on primary dealers, as well as any appeals and their resolution, shall be forwarded to the Evaluation Committee for information by the MF.

(2) Sanctions imposed on primary dealers may be made public by the MF.

CHAPTER VII

**Final provisions**

ARTICLE 54

(1) Primary dealers, as well as their employees, may establish professional associations with the aim of raising professional standards, establishing and imposing rules of conduct and professional ethics in the conduct of operations on the Romanian government securities market.

(2) Entities that hold the status of primary dealer attributed in accordance with the Framework Regulation on market operations with government securities on the domestic market, approved by Order of the Minister of Public Finance no. 2.245/2016, shall maintain this status, if by 1 May 2022 they sign the agreement with the Ministry of Finance, set out in the Appendix, which will have legal effect from the date of entry into force of this Regulation.

APPENDIX

to the framework regulation

**Template of bilateral agreement between the primary dealer and the Ministry of Finance**

Between

The Ministry of Finance (MF), with registered office in Bucharest, Bd. Libertății nr. 16, sectorul 5, tax code/unic code 8609468, in its capacity as issuer of the government securities, represented by ...................................., holding the title of Minister of Finance,

and

..........................., having its registered office at ........................................, tax code/tax registration number .........., as primary dealer, represented by ..................................., holding the title of ............................,

this Agreement is hereby concluded.

**1. Scope of the Agreement**

The purpose of this agreement is to formalise the relations between the issuer and the primary dealer, as regards the rights and obligations of the primary dealer in order to promote an efficient organisation and functioning of the domestic market for government securities, in accordance with the provisions 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, hereinafter referred to as the Framework Regulation.

**2. Primary dealer's rights and obligations**

2.1 The Primary Dealer has the following rights:

a) may be a counterparty in the relationship with the MF, according to the criteria considered by the issuer for each type of operation with government securities, as well as other criteria required in relation to the conduct of secondary market operations of government securities, buy-back, buy-back, pre-maturity swap, repo and reverse repo, collateralised placements, government securities lending facility, transactions with derivative financial instruments, etc., when the specific procedural framework for public debt, related to these operations, provides for and allows this, in relation to:

(i) the direct participation in public tenders and subscriptions of government securities organised on the primary market, by submitting bids in its own name and for its own account and/or on behalf of and for the clients;

(ii) the direct participation in non-competitive bidding sessions, by submitting bids in their own name and on their own account, in accordance with the applicable legal provisions in force;

(iii) the direct participation in the early buy-back of government securities and/or in the exchange of government securities organised by the MF, by submitting bids in its own name and for its own account and/or in the name and on behalf of and for the account of its clients;

(iv) the direct participation in the liquidity administration operations (repo and reverse repo transactions, collateralised placements) and the use of the security lending facility and the execution of derivative transactions (foreign exchange swaps, interest rate swaps) on the basis of ISDA documentation;

b) use the title of "Primary Dealer on the domestic government securities market" or, as the case may be, the title of "Best Romanian Primary Dealer" as a result of being ranked first in the last evaluation of the performance of the activity on the government securities market carried out in accordance with the provisions of Article 35 of the framework Regulation, during the period of validity of the respective ranking;

c) may be a counterparty in relation with the MF in the process of selection of administrators or intermediaries for the issues carried out on the external markets, depending on the performance recorded in the activity performed on the primary and secondary market of government securities, on the existence of capabilities in terms of carrying out these operations, provided that it is part of the list of dealers approved by the MF within the external issuance programme; under these conditions, it may participate in promotional tours on the external markets, together with representatives of the MF and/or of the NBR;

d) may become a counterparty of the Romanian State through the MF in connection with other types of loans contracted or guaranteed directly by the State;

e) participate in marketing activities regarding the government securities market among investors, together with representatives of the NBR and/or the MF;

f) take part in consultations on the public debt administration strategy or the issuance policy of the MF;

g) attend the meetings of the Market Committee;

h) may provide recommendations on legislative amendments in the field of public debt.

2.2 The primary dealer has the following obligations, which must be fulfilled cumulatively:

a) award in its own name and/or on behalf of clients a minimum of 3% of the total amount awarded by the MF, related to government securities issues placed during the assessed period on the domestic market, denominated in national currency and/or in foreign currency; the calculation methodology and the assessed period are set in the market administrator's regulations;

b) award in its own name a weighted amount of at least 2% of the total weighted amount allotted by the MF, related to the issues of government securities placed during the assessed period on the domestic market, denominated in national currency and/or in foreign currency; the weighting coefficients, the calculation methodology, as well as the evaluation period are set in the market administrator's regulations;

c) carry out on own account on the secondary market bid-ask transactions in government securities issued on the domestic market in national currency or in foreign currency, with a weighted settlement value of at least 3% of the weighted total of transactions in government securities carried out on the secondary market during the assessed period; the weighting coefficients, the calculation methodology, as well as the evaluation period shall be established in the market administrator's regulations;

d) fulfil the minimum daily listing requirements specified in Article 28 of the Framework Regulation on the electronic listing and trading platform approved by the Ministry of Finance;

e) maintain custody accounts for clients in its own books.

2.3 In the event of failure to comply with the settlement deadline, specified in the documents related to the tenders/subscriptions for market operations with government securities carried out by the issuer, of the amounts related to the results of the placement of government securities and the results of the operations of early buy-back of government securities or of the operations of exchange of government securities carried out by the MF through the NBR, in its capacity as market administrator, the primary dealer will pay a penalty interest for each day of delay, the level of which will be set by the market administrator in its own regulations.

**3. Collaboration with the MF**

The Primary Dealer will collaborate with the MF and fulfil duties as follows:

a) provide the MF advice, i.e. provide data and analyses on market conditions, including opinions received from clients, provide access to analytical reports issued by its own research departments on topics relevant to the government securities market and public debt administration activity, such as: monetary policy, macroeconomic and financial conditions, fixed income instruments market, asset allocation strategies, etc., both locally and internationally;

b) provide monthly reports in the format requested by the MF, resulting after prior consultation with the primary dealers, as well as any information and/or documents requested by the MF in relation to the activity carried out on the government securities market;

c) encourage the exchange of information and experience, on topics such as portfolio administration, risk administration techniques, etc., and provides specific recommendations on legislative amendments in the area of public debt;

d) provide, at the request of the MF, firm or indicative quotes for secondary market transactions in government securities, early buy-back/early buy-back of government securities prior to maturity, reverse transactions, collateralised placements and access the government securities lending facility when the specific procedural framework for public debt provides for and allows it;

e) endeavour to broaden and diversify the customer base investing in government securities issued on the domestic market in domestic currency or foreign currency, through promotional activities, non-deal roadshow/teleconference calls organised with and for investors.

**4. Market maker activity on the electronic quotation and trading platform authorised by the MF**

4.1 For the purpose of ensuring and increasing transparency in the pricing and liquidity of government securities, the primary dealer will carry out specific market making activities for the series of government securities/maturities established by the Market Committee by providing firm bid/offer quotes on the electronic quotation and trading platform approved by the MF, in accordance with the provisions of Section 5 of Chapter III of the Framework Regulation, under the conditions agreed by the Market Committee.

4.2. The activity of market maker will be analysed and assessed by the MF in accordance with the calculation methodology set out in Article 29 of the Framework Regulation and constitutes one of the criteria for assessing the performance of the primary dealers' activity on the secondary market which will be included in the market administrator's regulations.

**5. Primary dealer monitoring and evaluation**

The Evaluation Committee will monitor and analyse the activity of primary dealers on a continuous, monthly basis from two perspectives:

a) the maintenance/withdrawal of the status of primary dealer by the MF, focusing on the cumulative fulfilment of the obligations set out in item 2.2;

b) to set the ranking according to the performance of the activity carried out by the primary dealers, taking into account quantitative elements, related to the activity carried out on the primary and secondary market, as well as qualitative elements. The evaluation criteria leading to the establishment of a score corresponding to the qualitative and quantitative elements will be laid down in the market administrator's regulations.

**6. Agreement period**

6.1. The primary dealer agreement is valid for the period of holding the primary dealer status obtained in accordance with the regulations in force.

6.2 The parties may request the termination of this Agreement by giving 30 days' prior written notice specifying the grounds on which the decision is based. If the notice comes from the Primary Dealer, the Primary Dealer loses its status as Primary Dealer at the expiry of the 30-day period.

**7. Amendments**

7.1 The provisions of this Agreement may be amended by agreement of the parties without such amendments creating discriminatory treatment between primary dealers with whom the issuer has entered into such agreements.

7.2 The technical aspects of listing and trading on the electronic platform authorised by the issuer may be amended on the proposal of the Market Committee, by amending the framework regulation.

**8. Sanctions**

If the primary dealer does not fulfil the provisions of this agreement, the penalties provided for in Chapter VI of the framework regulation shall apply.

**9. Privacy**

9.1 The Parties shall ensure the confidentiality of all information, data (including personal data), documents to which they have access as a result of the performance of this Agreement, and undertake that they shall not disclose or use such confidential information, data, documents, in whole or in part for their own or any other purpose, even after its termination, without the prior consent of the other party. Information, data (including personal data), confidential documents to which the parties have access as a result of the performance of this agreement shall be used and/or processed by the parties solely for the purpose of the performance of the agreement.

9.2 By way of exception, information, data, documents obtained as a result of the performance of this agreement may be disclosed under the same conditions applicable to the primary dealer to any entities within the group of companies to which the primary dealer belongs.

**10. Final provisions**

10.1. The primary dealer undertakes to comply with the provisions of the applicable applicable law, in terms of its rights, responsibilities and obligations and related procedures.

10.2 In the event of discrepancies between the provisions of this Agreement and the applicable law, the legal provisions in force shall apply.

10.3. This agreement shall take effect from .........................\*).

10.4. This agreement has been signed on ......................, in Bucharest, in two original copies, both having equal legal value, one copy for the issuer and one copy for the primary dealer.

------------

\*) The date from which this agreement will take legal effect cannot be earlier than the date of entry into force of the framework regulation.

---------------