

Instruction No. 2/2024*

Issuance of Treasury bills and status of market operator

Under Article 12 n° 1) p) of the By-laws of Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, E. P. E. (IGCP, E. P. E.), approved by Decree-Law No. 200/2012 of 27 August, rectified by Corrigendum No. 56/2012 of 3 October and Article 7 3) and 5) of the legal regime of Treasury bills, approved by Decree-Law No. 279/98 of 17 September, as amended by Decree-Law No. 91/2003 of 30 April, Decree-Law No. 40/2012 of 20 February and Decree-Law No. 261/2012 of 17 December, the Board of Directors of the IGCP, E.P.E. approved the following Regulation:

SECTION I

General conditions of Treasury bills

Article 1

Scope

This regulation establishes the rules governing the issuance and placement of Treasury bills (BT) up to 12 months as well the terms and duties of financial operators acting in the primary market.

Article 2

Legal regime

The issuance of BT is governed by the rules applicable to the issuance of direct government debt, namely those under Law No. 7/98 of 3 February, and by regulations laid down by the IGCP, E.P.E. in the exercise of the duties set forth in Decree-Law No. 279/98 of 17 September.

Article 3

Nominal value

BT are issued in Euros with a nominal value of one euro.

Article 4

Placement

BT may be placed via auction or subscription offer limited to one, some, or a consortium of financial institutions.

Article 5

Issuance in series

- 1 - BT shall be issued in lines identified by the respective maturity date.
- 2 - The redemption date of the lines shall be determined by the IGCP, E.P.E. before the first issuance of this line.
- 3 - Each line shall be assigned an ISIN code.
- 4 - The IGCP, E.P.E. shall announce the creation of new BT lines via the Reuters and Bloomberg web pages.
- 5 - All the securities of a given line shall be fungible, even if they are issued on different dates.

Article 6

Issuance at discount

- 1 - BT shall be issued at a discount and the interest shall be paid by deducting it from their nominal value.

2 - The discounted value of the BT shall be determined as follows:

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

where:

DV = discounted value;

NV = nominal value;

i = interest rate;

n = number of calendar days elapsing between the settlement value date and the maturity date.

Article 7

Redemption

BT shall be redeemed on the respective maturity date and shall be repaid at their nominal value.

Article 8

Secondary market

BT are admitted to trading in the secondary market on all electronic trading systems designated by the IGCP, E.P.E..

SECTION II

Placement of Treasury bills

Article 9

Calendar of BT auctions

The IGCP, E.P.E. shall announce an indicative calendar of the auctions to be held at the beginning of each quarter. The calendar may be periodically adjusted to meet changing needs and the corresponding financing strategy.

Article 10

Announcement

- 1 - Each auction shall be announced with up to three business days before the respective date.
- 2 - Auctions of BT with different maturities can be held simultaneously.
- 3 - The announcement shall indicate the date of the auction, the indicative range of the nominal amount of BT to be offered for subscription (or, in case of auctions held simultaneously of BT with multiple maturities, the indicative range of the nominal amount of all BT for subscription), the corresponding ISIN identification code(s), the redemption date(s), the amount already issued, the settlement date and other information deemed relevant.
- 4 - The announcement shall also indicate the deadline for the submission of bids in the competitive and non-competitive phases of the auction.

Article 11

Participation in auctions

Only institutions that have been granted the Treasury Bill Specialist (EBT) status may participate in BT auctions, in accordance with the provisions of SECTION III hereof.

Article 12

Auction phases

1 - Each auction shall have two consecutive phases: a competitive and a non-competitive phase.

2 - In the competitive phase, the nominal amount of BT announced pursuant to Article 10 shall be offered for subscription. The IGCP, E.P.E. reserves the right not to place part of or the entire amount.

3 - The IGCP, E.P.E. may exceptionally place BT in excess of the upper limit of the nominal amount announced, up to a maximum of one third (1/3) of that value.

4 - In the non-competitive phase of auctions, BT in a maximum nominal amount of 40% of the amount actually subscribed in the competitive phase shall be offered for subscription.

Article 13

Submission of bids in the competitive phase

1 - Treasury Bill Specialists may submit bids for the competitive phase of the auction.

2 - Bids may be submitted in the 30-minute period before the deadline established for the competitive phase in the announcement referred to in Article 10.

3 - Bids registered in the auction system after this period shall be considered firm.

4 - Institutions may not submit bids exceeding the upper limit of the nominal amount announced for the competitive phase of the auction.

5 - Each bid must indicate the nominal amount of BT to be subscribed in multiples of EUR 1,000,000 and the target interest rate, expressed to the thousandth of a percentage point

Article 14

Ranking and evaluation of bids

- 1 - Bids shall be ranked in ascending order of the target interest rate.
- 2 - The IGCP, E.P.E. shall determine the maximum rate to be accepted, depending on the amount placed.
- 3 - All bids with an interest rate lower than or equal to the maximum interest rate accepted shall be met, unless the total of such bids exceeds the amount that the IGCP, E.P.E. has decided to place in the auction. In this case, bids offering a lower interest rate than the maximum rate shall be met in full, and the excess amount shall be allotted on a pro rata basis among those bids with an equal rate.
- 4 - The amount shall be allotted in minimum lots of EUR 1,000, depending on the amount of each bid.

Article 15

Results of the competitive phase of the auction

- 1 - The participating institutions shall be informed of their bids that were accepted and the general results of the auction up to 15 minutes after the auction closing time, except in exceptional cases that require the use of contingency measures provided for in the auction system.
- 2 - The overall results of the auction shall be immediately announced to the market.

Article 16

Non-competitive phase of the auction

- 1 - Only Treasury Bills Specialists shall have access to the non-competitive phase of the auction.

2 - In the non-competitive phase, subscription shall be made on the maximum rate accepted in the competitive phase of the auction.

3 - The amount that Treasury Bill Specialists can subscribe is up to a maximum of 40% of the amount actually placed in the competitive phase, and composed of two parts:

a) 25% of the amount actually placed in the competitive phase is attributed to each Treasury Bill Specialist according to the percentage of their participation in the amount placed in the competitive phase of the last three BT auctions (an auction, in this respect, is considered to be that which is held on a particular day, regardless of whether it was one or more lines of BT);

b) a maximum of 15% of the amount actually placed in the competitive phase is attributed to the five Treasury Bill Specialists (3% to each Treasury Bill Specialist) that have ranked in the first five positions in the ranking criterion of the quoting obligations (as defined by the IGCP, E.P.E.) in the month previous to the auction, as long as the quoting obligations of such Primary Dealer have been fulfilled in the same period.

4 - The assessment referred in the previous paragraph will be carried out monthly and shall be communicated by the IGCP, E.P.E. up to the day of the competitive auction.

5 - The IGCP, E.P.E. shall inform Treasury Bill Specialists, on the day of the competitive auction, of the maximum amount that each one can subscribe in the non-competitive phase of the auction.

6 - Bids for this phase shall be expressed as multiples of EUR 1,000 and shall be submitted in the 30-minute period preceding the cut-off time specified in the announcement referred to Article 10 for the non-competitive phase.

Article 17

Settlement

1 - The settlement of the amount subscribed by each institution shall be made on the 2nd business day following the competitive phase of the auction and on the 1st business day following the non-competitive phase of the auction. The BT shall be delivered against the respective payment.

2 - Exceptionally, the IGCP, E.P.E. may set an alternative settlement date, disclosing it in the announcement of the respective auction.

3 - The procedures to be observed in the physical and financial settlement of BT subscriptions shall be set by the IGCP, E.P.E. and communicated to operators through specific regulations.

Article 18

Business days

For the purposes of this regulation, the TARGET calendar of business days shall apply.

Article 19

Auction times

Except in special circumstances, the competitive phase of the auction shall end at 10:30 a.m. (11:30 CET) and the period for the submission of bids for the non-competitive phase shall end at 3:00 p.m. (16:00 CET) of the subsequent business day.

Article 20

Auction systems

1 - Unless otherwise provided in the auction announcement, the submission of a bid by the participants and the announcement of the results shall be made electronically via the Bloomberg auction system.

2 - The procedures of the auction system and the rules to be observed by participants shall be established by the IGCP, E.P.E. and communicated via specific regulations. These procedures shall include, inter alia, contingency plans for the exceptional situation of the occurrence of technical problems during an auction.

Article 21

Other placement methods

1 - The IGCP, E.P.E. can place BT offered for subscription through one, some, or a consortium of financial institutions.

2 - If not defined in advance, the terms of issuance, the characteristics of BT and the respective settlement date shall be set by the IGCP, E.P.E..

3 - In the case provided for in this Article, after placement the IGCP, E.P.E. shall announce to the market the new issue and the nominal amount placed.

SECTION III

Treasury Bill Specialists

Article 22

Assignment of the Treasury Bill Specialist status

1 - The Treasury Bill Specialist status shall be assigned to financial institutions that collaborate actively with the IGCP, E.P.E. in achieving the goals set for the management of government debt, in particular with regard to the issuance and promotion of the efficiency and liquidity of the BT market.

2 - The Treasury Bill Specialist status shall be assigned to institutions which, in accordance with the evaluation of the IGCP, E.P.E.:

- a) have the ability to consistently place and negotiate BT in international, European or national markets, ensuring access to a regular investor base and contributing to the liquidity of these instruments in the secondary market;
- b) offer guarantees as to the physical and financial settlement of BT in accordance with how they are created and registered and with the procedures established for this purpose by the IGCP, E.P.E..

3 - The application of a financial institution to the Treasury Bill Specialist status shall be presented by letter to the Board of Directors of IGCP, E.P.E., accompanied by a statement signed by the respective Board or by a person with authority to bind all acts, in which it undertakes to respect all of the rules of this Regulation.

4 - The Treasury Bill Specialist status shall be granted for annual periods and may be renewed without fulfilling the formalities provided for in paragraph 3.

5 - At the end of each year, the IGCP, E.P.E. shall assess the performance and contribution of each Treasury Bill Specialist to the objectives mentioned in paragraph 1.

6 - The decision on the renewal of the Treasury Bill Specialist status shall take into account the results of the assessment referred to in the preceding paragraph.

Article 23

Guarantees

Treasury Bill Specialists shall be guaranteed of:

- a) exclusive access to the competitive and non-competitive phases of BT auctions;
- b) preference in other forms of placement of BT;
- c) access to market facilities created by the IGCP, E.P.E., namely the BT repo window;

- d) privileged hearing in matters of common interest.

Article 24

Duties

1 - Treasury Bill Specialists agree to:

- a) actively participate in BT auctions, regularly submitting bids under normal market conditions and having a subscription share of no less than 2% of the amount placed in the competitive phase of auctions;
- b) actively participate in the BT secondary market, acting in accordance with good market practice and ensuring the liquidity, efficiency and regularity of the trading conditions of BT;
- c) participate in the secondary market through any of the electronic trading systems designated by the IGCP, E.P.E., acting as BT market makers in strict compliance with the market rules and maintaining a share of no less than 2% in the turnover of this market;
- d) permanently update via a specialised remote information system a page of widespread access with the quotes of BT;
- e) provide, in accordance with the form and requirements defined by the IGCP, E.P.E., the information needed to monitor its activity in the secondary market and to supervise compliance with the obligations under this Regulation;
- f) comply with all of the rules adopted by the IGCP, E.P.E. concerning the scope and object of this Regulation;
- g) act as privileged consultants of the IGCP, E.P.E. in the monitoring of financial markets;

h) timely inform the IGCP, E.P.E. about the difficulty of complying with any of the duties set out in this Regulation, particularly as regards the verification of abnormal or extraordinary market conditions, and wait for their consent to change the form of compliance or breach of any of the duties imposed in this Regulation.

2 - Compliance with the minimum quotas for participation in the primary market and secondary market, through any electronic trading systems designated by the IGCP, E.P.E. set forth in paragraphs a) and c) above, shall be observed considering a period of one year.

Article 25

Suspension and loss of the Treasury Bill Specialist status

1 - The IGCP, E.P.E. may order the suspension or loss of the Treasury Bill Specialist status when it verifies an ongoing failure to fulfil any of the duties set out in this Regulation.

2 - Any Treasury Bill Specialist can withdraw from the respective status by written communication addressed to the Board of Directors of the IGCP, E.P.E..

SECTION IV

Other provisions

Article 26

Changes to this Regulation

1 - Any changes to this Regulation shall be approved by the IGCP, E.P.E., on its own initiative or at the proposal of the Treasury Bill Specialists.

2 - Changes to this Regulation involving modification of the respective guarantees or duties shall require the approval of two-thirds of the Treasury Bill Specialists.

3 - If the approval referred to in the preceding paragraph is not obtained, the changes shall take effect only at the beginning of the year following the date of their approval.

Article 27

Repeal

This Regulation repeals Instruction No. 1/2015 of 2 January 2015, published in the Official Gazette, Series II - No. 1/2015 and shall take effect as from 1 February 2024.

January 30th, 2024 - The Chairman of the Board of Directors, Miguel Martin

* Instruction No. 2/2024, published in the Official Gazette, Series II, No. 28/2024, of February 8