

## **Instruction No. 3/2024\***

### **Issuance of Government bonds and status of market operator**

Under Article. 12 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 11 1) and 3) of the Portuguese Treasury Bonds legal framework approved by Decree Law no. 280/98, from 17 September, the Board of Directors of the *IGCP, E.P.E.* approved the following regulation:

#### **Section I**

#### **General provisions**

#### **Article 1**

#### **Scope**

This regulation sets forth the rules governing the issuance and placement of Government bonds (OT) as well as the conditions of access and the rights and duties of financial operators who work in the primary market.

#### **Article 2**

#### **Legal regime**

1. The issuance of OT shall be 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. 280/98 of 17 September.
2. From 1 January 2013, the collective action clauses shall be applied to all new bond issues. The terms of reference of these clauses were approved by the EU Economic and Financial Committee on 18 November 2011, in the version published on the website of the IGCP, E.P.E. at any given time.

3. The reopening of bonds lines issued before 2013 shall be conducted without the application of collective action clauses, within the limits set by the competent body of the European Union.

### **Article 3**

#### **Nominal value**

Bonds shall be issued in Euros, with a nominal value of one cent.

### **Article 4**

#### **Placement**

Bonds may be placed via auction or by a consortium of financial institutions. They may also be part of a subscription offer limited to one or more financial institutions, as long as they form part of a series of existing obligations.

### **Article 5**

#### **Issuance in series**

After the first issuance of each bond series, the IGCP, E.P.E. shall disclose the respective general conditions and the indicative amount to be issued by notice published in the 2nd series of the Official Gazette.

## **Section II**

### **Placement methods**

#### **Sub-Section I**

##### **Auctions**

#### **Article 6**

##### **Auction venue and calendar**

1. Auctions shall be held in Lisbon, at the headquarters of the IGCP, E.P.E..

2. The IGCP, E.P.E. shall disclose the intention to hold auctions and the indicative amount for each auction on a quarterly basis. The execution and size of the auctions can be adjusted periodically to meet changing needs and the corresponding financing strategy.
3. In addition to the auctions specified in the announcement referred to above, the IGCP, E.P.E. can hold other selling bond auctions, announcing them up to three days before the respective date.

## **Article 7**

### **Participation in auctions**

Only Primary Dealers (OEVT) and Other Auction Participants (OMP) may participate in OT auctions, in accordance with the provisions of Section III hereof.

## **Article 8**

### **Auction announcement**

1. Auctions shall be announced with up to three business days before they are held.
2. Auctions of OT with different maturities can be held simultaneously.
3. The announcement shall indicate the date of the auctions, the indicative range of the nominal amount of OT for subscription (or, in case of auctions held simultaneously of OT with multiple maturities, the indicative range of the nominal amount of all bonds for subscription), the respective series, the settlement date, the interest commencement date, the corresponding identification code(s), the form(s) admitted for communication between auction participants and the IGCP, E.P.E. 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 9**

### **Auction phases**

1. Each auction shall have two consecutive phases: a competitive and a non-competitive phase.
2. The nominal amount of the bonds announced pursuant to the previous Article shall be offered for subscription during the competitive phase. The IGCP, E.P.E. reserves the right not to place part of or the entire amount.
3. Notwithstanding the provisions of the preceding paragraph, the IGCP, E.P.E. may exceptionally place bonds in excess of the upper limit of the amount announced, up to a maximum of one third (1/3) of that value.
4. In the non-competitive phase of auctions, bonds in a nominal amount equal to 30% of the amount actually subscribed in the competitive phase shall be offered for subscription by Primary Dealers only.

## **Article 10**

### **Submission of bids in the competitive phase**

1. Primary Dealers and Other Auction Participants 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 8.
3. Bids registered in the auction system after this period shall be considered firm.
4. None of the participants can submit individual bids with a total value exceeding the upper limit of the overall amount announced for the competitive phase of the auction.

5. Each bid must indicate the nominal amount of bonds to be subscribed in multiples of EUR 1,000,000 and the target price, as a percentage of the nominal value, expressed to the hundredth of a percentage point.
6. The price referred to in the preceding paragraph includes all fees and charges payable.

## **Article 11**

### **Ranking and evaluation of bids**

1. Bids shall be ranked in descending order of the bid-offer price.
2. The IGCP, E.P.E. shall determine the minimum price depending on the amount placed, thereby setting the cut-off price.
3. All bids offering a price greater than or equal to the cut-off price shall be met at the cut-off price, 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 higher price than the cut-off price shall be met in full, and the excess amount shall be allotted on a pro rata basis.
4. The amount shall be allotted in minimum lots of EUR 1,000, depending on the amount of each bid.

## **Article 12**

### **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 the exceptional case of the occurrence of technical problems that require the use of contingency measures provided for in the auction procedures referred to in Article 27.
2. The overall results of the auction shall be immediately announced to the market.

## Article 13

### Non-competitive phase of the auction

1. Only Primary Dealers shall have access to the non-competitive phase of the auction.
2. In the non-competitive phase, subscription shall be made at the same price of the competitive phase, equal to the cut-off price, of the auction.
3. The amount that Primary Dealers can subscribe is up to 30% of the amount actually placed in the competitive phase, and composed of two parts:
  - a) 20% of the amount actually placed in the competitive phase is attributed to each Primary Dealer according to the percentage of their participation in the amount placed in the competitive phase of the last three OT auctions (an auction, in this respect, is considered to be that which is held on a particular day, regardless of whether it had one or more lines of OT);
  - b) A maximum of 10% of the amount actually placed in the competitive phase is attributed to the five Primary Dealers (2% to each Primary Dealer) 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 (i) the quoting obligations of such Primary Dealer have been fulfilled in the same period, and (ii) the subscription share of such Primary Dealer in the competitive phase of the auction has been no less than 2% of the amount placed.
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 Primary Dealers, 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 up to the time specified in the announcement referred in Article 8.

#### **Article 14**

#### **Settlement**

1. The settlement of the amount subscribed by each institution shall be made on the second business day following the competitive phase of the auction and on the first business day following the non-competitive auction date. OTs 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.

#### **Article 15**

#### **Business Days**

For the implementation of this regulation the business days set by TARGET calendar applies.

#### **Article 16**

#### **Auction times**

Except in special circumstances, the competitive phase of the auction shall take place at ten-thirty a.m. (11:30 CET) and the non-competitive phase ends at three p.m. (16:00 CET) of the following business day.

## **Article 17**

### **Exchange and buyback auctions**

Apart from to the auctions foreseen in previous Articles, IGCP, E.P.E. may hold exchange or buybacks auctions of OT. The terms and conditions of these auctions are set by IGCP E.P.E. and shall be announced to the market up to one day before it takes place.

## **Sub-Section II**

### **Other placement methods**

## **Article 18**

### **Placement through a Consortium of financial institutions**

1. The IGCP, E.P.E. can place bonds through a consortium of financial institutions, regardless of whether such placement corresponds to the simple issuance of bonds or to only one, several or all phases of the issuance of a bond series.
2. If not defined in advance, the terms of issuance, the characteristics of the bond and the respective settlement date shall be set by the IGCP, E.P.E..

## **Article 19**

### **Limited subscription offer**

1. As long as it forms part of an existing bond series, the IGCP, E.P.E. can issue a new OT series targeted exclusively at one or some financial institutions.
2. In the case of the preceding paragraph, after placement the IGCP, E.P.E. shall announce to the market the new issue and the nominal amount placed.



**Section III**  
**Auction participants**

**Sub-Section I**  
**Primary Dealers (OEVT)**

**Article 20**

**Primary Dealer status**

1. The Primary Dealer 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 OT market.
2. The Primary Dealer 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 Portuguese debt securities in international, European or national markets, ensuring access to a regular investor base and contribute to the liquidity of debt in the secondary market;
  - b) have demonstrated this ability through their participation in the OT primary market as Other Auction Participants and in the secondary market through any of the electronic trading systems designated by IGCP, E.P.E. as market-makers or market-dealers;
  - c) offer guarantees as to the physical and financial settlement of OT in accordance with how they are created and registered and with the procedures established for this purpose by the IGCP, E.P.E..
1. The application of a financial institution to the Primary Dealer 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.

2. The Primary Dealer status shall be granted for annual periods and may be renewed without fulfilling the formalities provided for in paragraph 3.
3. At the end of each year, the IGCP, E.P.E. shall assess the performance and contribution of each Primary Dealer to the objectives mentioned in paragraph 1.
4. The decision on the renewal of the Primary Dealer status shall take into account the results of the assessment referred to in the preceding paragraph.

## **Article 21**

### **Guarantees**

Primary Dealers shall be guaranteed of:

- a) participation in the competitive phase and exclusivity in the access to the non-competitive phase of OT auctions;
- b) exclusive access to OT reverse auctions;
- c) preference in the constitution of syndicates and in other forms of placement of government debt;
- d) access to market facilities created by the IGCP, E.P.E., namely the repo window;
- e) preference in carrying out active debt management operations;
- f) privileged hearing in matters of common interest.

## **Article 22**

### **Duties**

1. Primary Dealers agree to:
  - a) actively participate in OT 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 OT secondary market, acting in accordance with good market practice and ensuring the liquidity, efficiency and regularity of the trading conditions of OT;
  - c) participate in the secondary market through any of the electronic trading systems designated by the IGCP, E.P.E., acting as market maker 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 benchmark OT;
  - 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, set forth in paragraphs a) and c) above, shall be observed considering a period of 2 years.

## Article 23

### Suspension and loss of the Primary Dealer status

1. The IGCP, E.P.E. may order the suspension or loss of the Primary Dealer status when it verifies an ongoing failure to fulfil any of the duties set out in this Regulation.
2. Any Primary Dealer can withdraw from the respective status by written communication addressed to the Board of Directors of the IGCP, E.P.E..

## Sub-Section II

### Other Auction Participants (OMP)

## Article 24

### OMP Status

1. The OMP status is assigned to institutions which, while not fulfilling the Primary Dealer requirements, contribute to achieving the goals set for the management of government debt by their participation in the primary and secondary debt market.
2. The OMP status shall be assigned to institutions which, in accordance with the evaluation of the IGCP, E.P.E.:
  - a) intend to apply for the Primary Dealer status and thus demonstrate that they meet the respective requirements;
  - b) have the ability to place and negotiate Portuguese debt securities, thus contributing to widening the investor base and/or to the liquidity of the secondary debt market;
  - c) offer guarantees as to the physical and financial settlement of OT 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 OMP 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 OMP status shall be granted for annual periods and may be renewed without fulfilling the formalities provided for in the preceding paragraph.
5. The decision on the renewal of the OMP status shall take into account the results of the assessment by the IGCP, E.P.E. of the performance and contribution of the OMP to the objectives referred to in paragraph 1.

## **Article 25**

### **Rights and Duties of OMP**

1. OMP shall be guaranteed access to the competitive phase of auctions.
2. OMP shall agree to:
  - a) participate regularly in auctions, submitting bids under normal market conditions and subscribing bonds in at least two of the auctions held throughout the year;
  - b) participate in the secondary market through any of the electronic trading systems designated by the IGCP, E.P.E., acting as market maker or market dealer in accordance with good market practice;
  - c) respect all of the rules adopted by the IGCP, E.P.E. with regard to the scope and object of this Regulation.

## **Article 26**

### **Suspension and loss of the OMP status**

The IGCP, E.P.E. may order the suspension or loss of the OMP status when it verifies the failure to fulfil the duties set out in this Regulation.

## **Section IV Procedures**

### **Article 27**

#### **Auction system procedures**

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 to them 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 28**

#### **Procedures for physical and financial settlement**

The procedures to be observed in the physical and financial settlement of bond subscriptions shall be established by the IGCP, E.P.E. and communicated to operators via specific regulations.

## **Section V Other provisions**

### **Article 29**

#### **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 Primary Dealers.
2. Changes to this Regulation involving modification of the respective guarantees or duties require the assent of two-thirds of the Primary Dealers.
3. If the assent 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 30

### Entry into force and repeal

This Regulation repeals previous version No. 2/2014 of 30 December 2014 published in the Official Gazette, Series II - No. 251 and shall enter into force on 1 February 2024.

January 30<sup>th</sup>, 2024 - The Chairman of the Board of Directors, Miguel Martin

*\* Instruction No. 3/2024, published in the Official Gazette, Series II, No. 28/2024, of February 8*