



## **SVT CHARTER**

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# Appendix 1

## Primary market operating rules

### 1.1 – Organisation of auctions

#### *1.1.1 – Schedule of regular auctions*

Auctions of long-term OATs are held on the first Thursday of each month at 10:50 a.m.<sup>1</sup> These auctions include long-term fixed-rate OATs.

Auctions of medium-term OATs are held on the third Thursday of each month at 10:50 a.m. They include fixed-rate medium-term OATs.

AFT defines the distinction between medium-term and long-term securities each year in the announcement of the annual borrowing programme.

Auctions of inflation-indexed securities are held on the third Thursday of each month at 11:50 a.m.

The procedures for potential auctions in August and December are specified in the announcement of the annual borrowing programme.

BTF auctions are held each Monday at 2:50 p.m.

AFT publishes the annual schedule of medium-term and inflation-indexed bond auctions and settlement dates on its website at the beginning of the year.

It publishes the BTF auction schedule and settlement dates for the following quarter on its website at the beginning of each quarter.

#### *1.1.2 – Specific scheduling rules*

AFT issues a specific communication when announcements, auctions, NCBs or settlements are scheduled on a day that is a legal holiday in Paris.

Exceptionally, AFT may depart from the announced auction schedule. It may change the monthly auction date or cancel a monthly auction, particularly in the case of a syndicated issue.

AFT may hold an additional unscheduled auction of short-term BTFs for cash management purposes. The exceptional auction shall be announced to the market at least one day in advance, and settlement may take place on the following business day.

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<sup>1</sup> The times indicated in this paragraph are the cut-off times for SVTs' bids. All times given in these schedules are Paris time.

AFT may change the auction schedule in the course of the year, after consulting the SVTs. In this case, AFT shall announce the new schedule of auctions until the end of the year.

### ***1.1.3 – Announcements made prior to auctions***

BTF auction announcements are made at 11:00 a.m. on the Friday before the auction. The announcement includes the list of lines to be issued, the range of amounts to be issued on each line, and the auction and settlement dates.

The same information is given at least one business day in advance in the case of an exceptional BTF auction, as described in 1.1.2.

Details of auctions of fixed-rate or inflation-indexed OATs are announced at 11:00 a.m. on the Friday before the auction, regardless of the cut-off time. The announcement includes the list of lines to be issued, a range of possible total amounts to be issued, as well as the auction and settlement dates.

AFT announces auctions with press releases and through the TELSAT auction system. The announcements are featured on the Agence France Trésor pages on the main wire services, as well as on AFT’s website (see table below).

	<b>OAT LT</b>	<b>OAT MT</b>	<b>INFLATION</b>	<b>BTF</b>
REUTERS	ADJJOATLT /AUCTOATLT	ADJJOATMT /AUCTOATMT	ADJJOINFLA / AUCTINFLA	ADJJBTF /AUCTBTF
BLOOMBERG			TREX <GO>	
INTERNET				<a href="http://www.aft.gouv.fr">www.aft.gouv.fr</a>

### ***1.1.4 – Auction procedures***

Bidders send their bids to the Banque de France. Except in the event of force majeure, the bids are sent through the TELSAT auction system. If TELSAT is unavailable or if any bidder is unable to connect to it, a back-up procedure for submitting bids is provided.

The Banque de France notifies bidders of the practical rules governing auctions. There are two types of bids:

- Competitive Bids or CBs, which must reach AFT before the cut-off time indicated in 1.1.1. They are served at the bid price/rate using a “Dutch” auction procedure;
- Non-Competitive Bids or NCBs, which are served according to the calculation procedures explained in Appendix 3.

### ***1.1.5 – Settlement***

As a general rule, settlement for regular auctions takes place two business days after the auction: on the following Thursday for BTFs and on the following Tuesday for other securities

(see 1.1.3 for the specific scheduling rules).

### ***1.1.6 – Reverse auctions (buybacks of securities through auctions) and exchange auctions***

The terms of reverse auctions and of exchange auctions are determined by AFT after consulting the SVTs.

## **1.2 – Bidding rules**

### ***1.2.1 – Price dispersion***

Limits are set to avoid excessive concentration of the securities issued in the hands of a few investors, thereby ensuring smooth auctions. **For the first two issues<sup>2</sup> of a new OAT, as well as for all BTF auctions**, the maximum amounts offered at each price (or yield) of the bidding scale are set as follows for each bidder: EUR 1 billion for BTFs, EUR 600 million for fixed-rate OATs and EUR 300 million for floating-rate OATs.

This rule does not apply to additional auctions of short-term BTFs held for cash management purposes as described in 1.1.2.

### ***1.2.2 – Disclosure requirement for successful bidders***

Any institution obtaining more than 40% of the issued volume on an individual line (not including NCBs) must notify AFT. The bidder shall reveal the identity of its main customers to AFT or the SVT's business rationale if the SVT intends to retain a significant share of the volume purchased.

Rules 1.2.1 and 1.2.2 above are set as parameters of the TELSAT auction system.

### ***1.2.3 – Disclosure requirement for customer orders***

SVTs shall provide an anonymous list of customer orders for par value amounts in excess of the thresholds set out below. SVTs shall specify the size and price of each order.

The disclosure thresholds are:

- EUR 200 million for BTFs
- EUR 100 million for fixed-rate OATs
- EUR 25 million for inflation-indexed OATs

## **1.3 – Publication of results**

AFT publishes the results as soon as practicable after the cut-off time. The results include at least the following data for each line:

- bid volume
- amounts issued

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<sup>2</sup> Auctions or syndicated issues.

- limit price (or limit rate for BTF auctions)
- percentage served at limit price (or limit rate for BTF auctions)
- weighted-average yield
- weighted-average price (except for BTF auctions)

AFT publishes the results simultaneously through the various financial information systems referred to in paragraph 3 of 1.1.3

AFT communicates anonymous bidding results to bidders through TELSAT. AFT is the only institution authorised to disclose this information to other persons.

## Appendix 2

### Ranking of SVTs

The ranking of SVTs is obtained by adding up the points attributed for results in three areas:

- SVTs' primary market performance (40 points in total);
- SVTs' secondary market performance (30 points in total) assessed on the basis of three sets of figures: overall volumes handled by the SVT on the secondary market, volumes handled with end customers and volumes handled in relation to specific products (repos, OATs and OATs linked to a price index, strips);
- quality of the service provided by the SVTs (30 points in total), assessed from three standpoints: operational quality; quality of advice; closeness and stability of the relationship with AFT.

Points are attributed to the SVTs in proportion to their actual market share (primary or secondary market operations) or reconstituted market share (qualitative assessment). For instance, an SVT having a 5% share of the primary market will obtain 2 points (5% of 40 points) for the primary market component.

The method for awarding points, as well as the weighting coefficients, may be reviewed at any time by AFT and the SVTs.

#### **2.1 – Assessment of SVTs' primary market performance (40 points)**

Operations on the primary market are assessed on the basis of the SVTs' market share in auctions and over-the-counter buyback operations. Each SVT's rating corresponds to 40 times the weighted market share obtained at auctions and buybacks. The market share is measured out to four decimal places. Weighting coefficients for auctions and over-the-counter buybacks factor in the duration of the benchmark securities for the relevant maturity range.

The weighting coefficients are as follows:

- For BTFs, BTANs and OATs (excluding inflation-indexed bonds):

Residual maturity	<3.5 mth	3.5 mth - 1 yr.	1 to 3.5 yr.	3.5-8 yr.	>8-12 yr.	>12-17 yr.	>17-43 yr.	>43 yr.
Coeff.	0.50	1	2.5	5.5	10	14.5	23	33

- The coefficients in the above table are multiplied by 1.5 for floating-rate products:

Residual maturity	<3.5 yr.	3.5-8 yr.	>8-12 yr.	>12-17 yr.	>17 yr.
Coeff.	3.75	8.25	15	21.75	34.5

For an exchange auction, unless otherwise specified by AFT, the weighted market share is determined by the par value acquired by the SVT, multiplied by a coefficient equal to the absolute value of the difference

between the coefficients above applied to the bond issued and to the bond bought back.<sup>3</sup>

## **2.2 – Assessment of SVTs’ secondary market performance (30 points)**

This assessment relies on the statistical data SVTs provide in the harmonised European format, plus the report on repo transactions.

The following are not considered and are therefore assigned a weighting equal to 0:

- Purchase and sale transactions made through auctions and OTC buybacks with AFT, which are taken into account in the primary market ranking;
- Syndicated transactions.

On the other hand, repo transactions with AFT are considered for the secondary market performance assessment.

A total of 30 points are attributed to the SVTs for their secondary market operations. The points are awarded to the SVTs according to their performance in each of the segments in the table below:

SEGMENT	POINTS AWARDED
Fixed-rate bonds	<b>19</b> points
Inflation-indexed bonds	<b>6</b> points
Strips	<b>2</b> points
Repos	<b>3</b> points

The points awarded to an individual SVT are determined by multiplying its market share on each segment, rounded to two decimal places, by the number of points assigned for such segment. This market share is a weighted average, where the weighting coefficients depend on the maturity and nature of the security and on the counterparty.

Market share for purchases and sales of OATs, inflation-indexed OATs and BTFs is calculated using a weighted average per maturity, with the following weighting coefficients:

Residual maturity	<1 yr.	1 to 3 yr.	>3-5 yr.	>5-7 yr.	>7-10 yr.	>10-15 yr.	>15-43 yr.	>43 yr.
Maturity coeff.	1	2	4.0	6.0	9.0	13	23	33

Coefficients are as follows for strips:

Residual maturity	<1 yr.	1 to 3 yr.	>3-5 yr.	>5-7 yr.	>7-10 yr.	>10-15 yr.	>15-43 yr.	>43 yr.
Maturity coeff.	1	2	4.5	6.5	9.5	13.5	30	46

<sup>3</sup> For example, the coefficient for an exchange of fixed-rate securities with respective maturities of 5 years and 30 years is 19 (difference between 23 and 4) and the coefficient for an exchange of fixed-rate securities with respective maturities of 25 and 30 years is 0 (difference between 23 and 23).

Finally, transactions where the counterparty is an end customer (“customer” in the harmonised European format) are assigned a coefficient equal to 2.5 times the coefficient assigned to interdealer transactions.

	End customer counterparty	Interdealer counterparty
Coeff.	Maturity coeff. x 2.5	Maturity coeff. x 1

For repo transactions: total volume of transactions by the SVT divided by the total transaction volume for the month.

### **2.3 – Qualitative assessment of SVTs’ relationships with AFT (30 points)**

An SVT’s operational quality, quality of advice and the closeness of its relationship with AFT are assessed on the basis of the criteria defined in the table below. All of these criteria correspond to undertakings provided for in the charter governing relationships between AFT and the SVTs.

Operational criteria are rated from 0 to 3 or 4. A rating of 2 corresponds to standard service. The advisory services criteria are rated from 0 to 2 or 3. A rating of 1 corresponds to standard service. A negative rating of 1 point may be assessed if serious problems exist.

The closeness and stability of the relationship are attributed a compound rating of 0 to 10 based on the criteria in the table below.

Indicators	Criteria	Rating	Relevant charter item
Operational quality: contribution to the secure operation of the market for government securities and financing	- smooth primary market operations (advice, security, bidding)	/4	A-1-a,b,c)
	- market-making on secondary market	/4	A-2
	- security of settlement	/3	B-1-b)
Quality of advice: contribution to improving AFT and central government policies	- market information and analysis	/3	A-3-a) / C-1
	- operational research/modelling	/2	A-3-b)
	- economic research	/2	A-3-b)
	- sales (communication concerning French Treasury securities/commitment of sales personnel)	/2	A-4
Closeness and stability of the relationship with AFT	- quality and stability of contacts at all levels; compliance; presence in France and contribution to finance industry projects; ability to cooperate with AFT on strategic projects	/10	A-5/ B-1-a) / B-2

### Appendix 3 Calculating the amounts served for NCBs<sup>1</sup>

Type of security (column 1)	Maximum amount allocated for NCBs (column 2)	Cap on NCBs <sup>3</sup> for each line (column 3)	Maximum NCB amount per SVT <sup>4</sup> (column 4)
BTF	25% of the total amount issued per line		(column 2) per line x allocation coefficient
Fixed-rate OAT <sup>2</sup>	25% of total amount issued for each category of security sold	For each line sold, minimum between: - 25% of the outstanding amount of the line after the auction - 30% of the amount issued at the auction	(column 2) x allocation coefficient: - to be divided freely between the various lines of the same category of security sold - up to a cap per line of (column 3) x allocation coefficient
Inflation-indexed OAT	25% of total amount issued for each category of security sold	For each line sold, minimum between: - 25% of the outstanding amount of the line after the auction - 30% of the amount issued at the auction	(column 2) x allocation coefficient: - to be divided freely between the various lines of the same category of security sold - up to a cap per line of (column 3) x allocation coefficient

1/ NCBs must be received no later than 4:30 p.m. one business day after a regularly scheduled auction (e.g. for a 10:50 a.m. auction on Thursday, the NCBs must be received no later than 4:30 p.m. on Friday). In any event, the date and cut-off time for NCBs are given in the auction announcement on TELSAT.

2/ For the purposes of these rules, OATs issued on the first Thursday of the month and OATs issued on the third Thursday of the month are deemed to be two different categories of securities.

3/ Except in the case of BTFs, SVTs are free to divide the NCB amounts defined in col. 2 for each category or sub-category between all of the lines auctions in the same category or sub-category, up to the cap defined in col. 3.

4/ The maximum NCB amount per SVT is rounded up to the nearest million.

The NCB allocation coefficient for each SVT in each category of securities corresponds to the arithmetic mean of its purchases of all of the lines sold at the three previous auctions of securities in the same category (not including the current auction). The coefficient is rounded to 2 decimal places.

The purchases of each line sold are expressed as a percentage rounded to 2 decimal places. This figure is obtained by dividing the amount obtained by the SVT through competitive bids by the total amount of the line sold.

The different classes of securities are: (1) BTFs; (2) fixed-rate OATs issued on the third Thursday of the month; (3) fixed-rate OATs issued on the first Thursday of the month; (4) inflation-indexed OATs.

The NCB price is the average auction price.

AFT reserves the right to cancel an SVT's right to submit NCBs if the SVT fails to bid in an auction without cause, or if the SVT fails to comply with certain undertakings set out in the charter.