

SVT Charter

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Introduction

Spécialistes en valeurs du Trésor (SVTs – Primary Dealers in French Treasury securities) are key partners for *Agence France Trésor* (AFT – the French Treasury) in managing government debt and cash holdings. As such, SVTs must do business ethically and comply with best industry practices. They provide AFT with the services required to perform its duties, which are managing the French Republic’s cash holdings and obtaining market financing, at the lowest cost, over the long term and with maximum safety. SVTs are selected for a period of three years.

This document constitutes the charter that governs relationships between AFT and SVTs. It has been prepared in the parties' common interest, which is to ensure the following, in compliance with applicable regulations and industry agreements:

- Smooth conduct of primary issuance
- Maximum liquidity on the secondary market for French Treasury securities and maintaining their status as some of the most liquid securities of the euro area
- Promotion of euro-denominated fixed-income markets in general and of French Treasury securities in particular
- Provision of high-quality and timely advice to AFT, and more broadly to the French Ministry for the Economy, concerning issuance policy, debt management, promotion of the government's credit quality, hedging the government's financial risks, regulation of fixed-income markets and fiscal management
- An objective and transparent assessment mechanism for the services supplied

Revisions or amendments to this charter shall be made in consultation with SVTs.

SVTs are members of the SVT market committee and finance its operations. The committee's secretariat is provided by the representative office of the ICMA (International Capital Market Association) in Paris.

The charter, the accompanying appendices and the list of SVTs are posted on AFT's website. Unless otherwise specified, all times indicated in these documents are in Paris time.

AFT manages the transactions of the *Caisse de la Dette Publique* (CDP – Public Debt Fund). In this capacity, AFT and SVTs shall apply this charter to transactions with CDP.

Each SVT makes a formal undertaking to comply with this charter and its appendices by providing AFT's Chief Executive with a copy of the charter signed by a member of senior management, as defined in European regulations on credit institutions and investment firms, and by the compliance officer. If the signed charter is not submitted within two months of selection, the institution will be struck off the list of SVTs.

A – Relations between SVTs and AFT

A.1 – Undertakings concerning the primary market

AFT prepares its transactions on the primary market in consultation with SVTs and informs SVTs of any material changes to its issuance programme.

a) Auctions

Except in case of force majeure, each SVT shall bid at all auctions. Each SVT shall use every material and organisational means necessary to ensure it bids at auctions, even when the back-up bidding procedure is used.

SVTs shall be significant buyers at auctions, with rolling 12-month average purchases of:

- 2% of the volumes sold through competitive bidding at each type of auction: fixed-rate discount Treasury bills (BTFs), medium-term Treasury bonds¹ (OAT MT) and long-term Treasury bonds² (OAT LT) and inflation-linked Treasury bonds; or

¹ OATs auctioned on the third Thursday of each month.

² OATs auctioned on the first Thursday of each month.

- 2% of the volumes sold through competitive bidding at three of the four types of auction and an arithmetic mean of at least 3% for the four types of auction combined.

AFT shall make quarterly assessments of SVTs' compliance with these undertakings and notify each SVT of its findings.

SVTs may submit non-competitive bids (NCBs) after each auction, with the exception of reverse auctions, in accordance with the terms specified in Appendix 3. AFT reserves the right to cancel an SVT's right to submit NCBs if the SVT fails to bid at an auction without cause, or has failed to comply with some of its undertakings under this charter.

In order to ensure smooth operation of the secondary market, SVTs' bidding at auctions is subject to the provisions of Appendix 1.2.

b) Syndicated issuances

All SVTs participate in the placement syndicate for syndicated issuances and ensure the proper functioning of the transaction in accordance with the tasks entrusted to each of them by AFT. The syndicate managers are appointed in consideration of their expertise on the market segment concerned, their place in the SVT ranking, and their contribution to the planning and preparation of the transaction. The syndicate managers have a special responsibility for market-making on the secondary market for the security issued.

c) Provision of issuance policy advice to AFT

SVTs shall advise AFT on the composition of issuance:

- prior to the publication of the annual borrowing programme.
- during the week preceding each BTF auction. SVTs are required to participate in a teleconference or to attend a meeting at the AFT premises, if AFT decides to make an exception.
- in the week preceding each OAT auction. SVTs are required to attend a meeting at the AFT premises, or to participate in a teleconference, if AFT decides to make an exception.

SVTs shall maintain confidentiality of the discussions at these meetings and shall refrain from making any disclosures to third parties. Internally within each SVT, this information may only be disseminated, on a strictly confidential basis, to the SVT manager, to the manager in charge of trading in French Treasury securities, to the head of legal affairs and to the compliance officer, as well as to their respective teams when concerned, after having informed those persons of the information's confidential nature. AFT reserves the right to impose any penalty on an SVT that fails to comply with this requirement.

As part of its assessment of SVTs' contributions to the smooth conduct of primary issuance, AFT considers the extent to which SVTs are represented during the meetings to prepare auctions. It also assesses the consistency between the advice given and the transactions actually carried out by SVTs.

A.2 – Market-making on secondary markets and repo markets

SVTs' market-making supports the liquidity of the market for all French Treasury securities (BTFs, OATs, inflation-linked OATs and strips). Each SVT conducts significant transactions on the secondary market for French Treasury securities and the "grey" market in securities pending issue. Each SVT covers the entire range of products issued by AFT, as well as the repo

market for Treasury securities, by quoting firm buy and sell prices on a continuous basis for customers and other SVTs. Each SVT quotes prices for other SVTs on a continuous basis through a multilateral trading facility in accordance with the facility rules and practices, which must comply with the rules defined by the SVT market committee. Each SVT makes its best effort to preserve the liquidity of the market for French Treasury securities at all times, in particular by refraining from implementing a strategy that it should be aware would negatively affect the functioning of the market or the conditions for fair and undistorted competition.

A 2% share of the secondary market is considered a reasonable minimum.

SVTs may access a repo facility that provides temporary interest-bearing loans of French Treasury securities (BTFs and OATs, including inflation-indexed securities) in exchange for other French Treasury securities of an equivalent value to the loaned securities. Applications for the use of this facility are made to AFT, which acts on behalf of CDP. Individual SVTs must sign a specific agreement with CDP to have access to this facility.

SVTs shall notify AFT of decisions concerning the multilateral trading facilities that they use. SVTs shall also ensure that the best execution is given to French debt in such facilities. AFT's annual assessment considers the information received about work by the industry associations to which SVTs belong involving the organisation of financial markets, particularly work on regulatory changes.

A.3 – Information and advice

a) Market information and advice

SVTs provide daily information to AFT on market developments, on their transaction volume, and, when they deem it relevant, on the nature of their customers and their own positions.

b) Strategic and economic information, advice and research

SVTs systematically forward to AFT the output of their analysis and research staff on the sovereign bond market or the French Republic's credit quality, in particular:

- Monetary policy, the macro-economic and financial environment, public finance, and national structural policies in the main currency zones
- Developments in the finance sector, including in the areas of technology and ESG (environmental, social and corporate governance)
- Asset allocation strategies of the main classes of investors

SVTs give AFT free access to all analysis and research on the functioning of financial markets: fixed-income markets (sovereign and quasi-sovereign, corporate bonds and repos, money market, derivatives), foreign-exchange markets, commodity markets, and other markets.

AFT shall inform SVTs when it expects specific research and advice from them on any topic or project. SVTs may be given this information during the annual interview provided for in Article C. 3.

SVTs shall organise meetings and foster periodic discussions between AFT and their teams of economists and strategists. Each SVT's team must include an economist specialising in French issues who is based in Paris. This economist shall visit AFT periodically.

AFT is ready to provide SVTs explanations and comments about French economic policy and European policy falling under its mandate. When necessary, AFT organises contacts between SVTs and the relevant personnel in the French administration.

A.4 – Promotion of French Treasury securities

SVTs shall endeavour to develop the placement of French Treasury securities with a broad and diversified community of investors as part of their business strategy. SVTs shall work on a daily basis on research and sales force motivation. They shall also conduct more targeted one-off campaigns to promote certain products and features of French debt. AFT undertakes to support SVTs in this task, by participating in such campaigns when possible. SVTs shall provide AFT with periodic information about investor sentiment and involve AFT in their meetings with investors.

In particular, AFT and SVTs will organise joint campaigns to promote French Treasury securities (conferences or seminars, investors' meetings, telephone meetings or videoconferences). On such occasions, SVTs will share their knowledge of investors, analysts and journalists in France or abroad with AFT. This shall not deprive AFT of its direct contacts with certain investors. SVTs shall be present with AFT during roadshows.

SVTs consider that it is in their common interest to conduct annual opinion surveys of investors, who are asked to assess the functioning of the French debt market and the quality of their relationships with SVTs.

A.5 – Ethics and market practices

a) General principles

For AFT, an important element of the quality of the service provided to it by SVTs is their compliance with the rules of good conduct and industry practices applicable to their operations on European fixed-income markets. Such compliance is an integral part of the promotion of French Treasury securities and more generally of euro-denominated fixed-income markets. AFT takes this into account in the annual assessment mentioned in Article C.2 when granting or renewing SVT status.

The SVT market committee, in which the SVTs participate and in which AFT has observer status, issues a Code of Conduct that sets ethical rules specific to SVTs' activities, communicated to the compliance department of the SVTs. The committee transmits the code of conduct to the *Autorité des Marchés Financiers* (AMF) and makes the code public.

An affiliate is any person or entity that directly or indirectly controls the SVT, is controlled by it or is under common control with it, for as long as such control exists, in France or abroad, within the meaning of Article L.233-3 of the French Commercial Code.

b) Proceedings or investigations formally initiated concerning acts in connection with debt instruments issued within the Organisation for Economic Cooperation and Development (OECD)

Each SVT shall inform AFT immediately of the existence of any proceedings, or investigation, formally initiated against the SVT or one of its affiliates by a competent authority, an institution managing a market or a settlement system, a central counterparty or a clearinghouse concerning a transaction or act related to a debt security issued by an OECD

member state or by a supranational issuer of which an OECD member state is a member or shareholder.

c) Conviction or sanction pronounced in an OECD member state

In addition to litigations concerning French Treasury securities, each SVT shall inform AFT immediately of any criminal conviction, including for tax evasion, corruption, money laundering or concealment of the proceeds of any such offenses, or administrative or disciplinary sanctions, or measures of suspension or exclusion from an industry organisation, pronounced against the SVT or one of its affiliates in an OECD member state.

Each SVT shall also inform AFT of the measures taken as a result of any such procedure.

d) Fight against money laundering and terrorist financing

SVTs and their affiliates shall maintain measures to fight money laundering and terrorist financing in accordance with the regulations in force. If their supervisory authority identifies any breach, SVTs shall inform AFT immediately thereof and report on their remedial measures.

AFT places itself at the disposal of the SVTs and the ICMA representative office in Paris to discuss and, where applicable, promote any regulatory change that would be considered desirable.

e) Nature of obligations, limits and exemptions

Non-public information that is communicated for the purposes mentioned in this article is so communicated on a strictly confidential basis and cannot be disclosed by AFT.

SVTs will be discharged from the obligations provided for in points (b) and (c) above with regard to investigations, proceedings or convictions if the sanction incurred or pronounced is (i) known and (ii) in an amount less than €100,000. If the sanction is not known in terms of amount, the obligation to report it remains.

The online publications produced by the SVT, as part of an SVT's annual report or mandatory filings with national authorities, cannot participate in fulfilling this obligation, unless AFT is expressly notified of the relevant details in writing.

In all cases mentioned in this article, if an SVT believes it is legally prohibited from communicating information about ongoing proceedings concerning itself or one of its affiliates, the SVT shall immediately inform AFT of, in lieu of the details of the matter, the specific legal references in question and demonstration of their mandatory nature.

Except in the case of entities responsible for executing transactions in Treasury securities within the European Union or the United Kingdom, the obligations provided for in this article are understood to be best-efforts obligations ("*obligations de moyen*").

B – SVTs' resources and organisation

The organisation of each SVT shall enable it to provide AFT with the service that the SVT has agreed to provide under this charter, regardless of geographic, legal and functional arrangements. This specifically concerns trading, back-office and risk-control activities, as well as distribution, economic research and strategy.

SVTs shall give AFT immediate written notification of any change in their organisation that is relevant to its relationship with AFT.

The undertakings made under this charter pertaining to primary-market activity and market-making on the secondary and repo markets shall be incorporated into SVTs' business continuity plans established in accordance with the regulations on investment firms. If their supervisory authority identifies any deficiencies that may jeopardise continuous compliance with the undertakings made under this charter, the SVT shall notify AFT and report any remedial measures taken.

B.1 – SVT's structure

a) Closeness and stability of the relationship with AFT

The quality of an SVT's service depends on its understanding of AFT's objectives and expectations. This requires building up a high level of mutual trust, forging a close and stable relationship over time.

The physical presence of teams in France is critical for creating and maintaining this type of relationship successfully. AFT therefore considers that the overall presence of an SVT's resources in France and changes in these resources over time naturally reflect the SVT's commitment and lasting ability to provide the services expected. AFT considers these elements when assessing the quality of its relationship with each SVT (see Appendix 2.3).

Another factor fostering a close and continuing relationship is SVTs' organisation of periodic contacts between their management and the Minister for the Economy, the Director General of the Treasury and AFT's Chief Executive to discuss issues related to fixed-income markets and public finance.

If the SVT is not authorised as an investment firm in France, then the SVT must have a branch in France.

SVTs' organisation must take into account the fact that French is AFT's working language.

b) Securities settlement, back-office and risk control

SVTs must ensure that their administrative, accounting and risk-control units and their links with the central securities depository (CSD) for French Treasury securities and the securities settlement systems are all fully effective. Each SVT shall have its own distinct and clearly identified account number with the CSD for the French Treasury securities for the settlement and delivery of auctions, syndicated issuances, buybacks, and stripping and unstripping operations on Treasury securities, in accordance with the rules established by the Economic Interest Grouping for the stripping and unstripping of Treasury securities, and for the settlement of cash lending and borrowing operations with AFT.

Each SVT must be able to conclude cash lending or borrowing transactions with AFT until 6pm.

Each SVT shall designate one of its employees as the back-office manager, to act as the prime correspondent for dealing with AFT on matters related to the back-office processing of transactions. The manager is responsible for solving problems and answering any questions that may be asked.

The SVT shall also have a middle office for communicating with AFT and with market institutions.

Each SVT shall waive, in favour of AFT, the professional secrecy requirement binding on the CSD for French Treasury securities, the manager of the securities settlement system, the clearing house and the custodian that the SVT uses for its French Treasury securities transactions. This waiver is granted for the purposes of monitoring service quality and unsettled trades. AFT shall give SVTs advance notice of the periodic or ad-hoc information requests that it makes to the securities settlement system and clearing house.

In the event of failure to deliver securities after 3pm, the SVT that caused the fail shall authorise the manager of the settlement system, the clearing house or its custodian system to disclose its name to the counterparties concerned to facilitate the settlement of transactions.

B.2 – SVT manager and business line managers

a) SVT manager

An SVT manager coordinates the relationship between AFT and the SVT. The SVT manager shall have the authority and resources required to ensure that the SVT addresses requests made by AFT. The SVT manager shall designate an alternate, with the same powers, to act as a substitute in their absence.

The SVT manager coordinates contacts between AFT and the SVT's employees involved in its relationship with AFT for the business lines listed in (b). The SVT manager ensures proper internal dissemination of information about AFT and French Treasury securities. The SVT manager ensures that market information is forwarded to AFT and that the SVT attends the meetings organised by AFT.

The SVT manager is responsible for the SVT's compliance with the SVT charter.

b) Business line managers

At least once a year, the SVT manager shall give AFT the names and contact information of:

- Managers in charge of trading in French Treasury securities and liquid fixed-income derivatives
- The money market manager
- The fixed-income sales manager
- The economist referred to under Article A.3(b) and, where appropriate, the economist for the euro area as a whole
- The interest-rate and inflation strategy managers
- The origination and syndication managers
- The back-office and risk control manager referred to in Article B.1(b)
- The compliance officer
- The contact for ESG matters
- The contact for technology matters pertaining to developments in the finance sector

This list shall also be submitted to the SVT market committee, which will make it available to all SVTs.

The SVT manager also provides AFT with updated lists of operators in contact with AFT for transactions and settlement. The SVT manager must also ensure that the list of operators in contact with the *Banque de France* is up to date.

C – Monitoring, evaluation and selection of SVTs

C.1 – Monitoring and verification of resources for SVT operations

SVTs and their agents and employees involved in the relationship with AFT are subject to this charter and its appendices.

AFT may conduct on-site and off-site verifications of SVTs' compliance with their obligations or may appoint a third party to conduct such verifications.

For the purposes of the verifications that the third party carries out at AFT's request and on AFT's behalf, the third party shall have access to all necessary information. More specifically, it shall verify the accuracy of the statistical information sent to AFT and shall report its findings to AFT. The SVT shall authorise the third party appointed by AFT to carry out its investigations not only in its establishment in France, but also in all other establishments involved in SVT operations. The SVT shall, if necessary, ensure that such authorisation is approved by the supervisory authorities of any country or countries concerned.

Each year, the SVT shall give AFT the risk limits set for traders in French Treasury securities, as well as the extent to which they are used. The SVT shall immediately notify AFT when it learns that its rating has been upgraded or downgraded by one of the external rating agencies recognised by the European Central Bank. As of today, these agencies are DBRS, Fitch, Moody's and Standard & Poor's.

Each month, SVTs shall report to AFT on their transactions on the secondary market for French Treasury securities. SVTs shall submit all of the information required in:

- The harmonised reporting format for trading on the secondary European sovereign debt market established by the Sub-Committee on EU Sovereign Debt Markets of the European Union Economic and Financial Committee
- The document entitled *rapport d'activité spécifique sur les opérations de pension livrée* (specific activity report on securities repurchase transactions), using the format provided by AFT
- The document entitled *rapport spécifique aux opérations dérivées sur valeurs du Trésor* (specific report to derivatives transactions involving French Treasury securities), using the format provided by AFT

These reports must be validated by the SVT manager or alternate and reach AFT by the 13th business day of each month. AFT may ask for an additional special report on an ad-hoc basis.

The compliance officer shall make a written commitment on the reliability of the process for the compiling and transmitting these statistics. The compliance officer shall notably attest to the fact that the process gives a true and fair view of the market-maker's operations with customers, transactions related to managing interest-rate risk exposure in the SVT's book and any proprietary trading.

AFT undertakes to protect the confidentiality of the information transmitted by SVTs. Unless otherwise indicated, the information aggregated by AFT is communicated to SVTs for internal

use only. AFT reserves the right to use some of the aggregated data for the promotion of French government debt securities and for the government's general communication policy.

Each month, AFT sends each SVT:

- An aggregated report on all counterparties in the harmonised format described above
- A summary report indicating its market share and ranking on the secondary market (spot and repo) and per type of product (fixed-rate bonds, inflation-indexed bonds, strips and BTFs)

Each quarter, AFT sends each SVT:

- A summary report indicating
 - o its market share and ranking in all auctions since the beginning of the calendar year and for each type of product (OAT LT, OAT MT, inflation-indexed OAT and BTF)³
 - o its market share and ranking on the secondary market by product type (fixed-rate bonds, inflation-indexed bonds, strips and BTFs)⁴
- A summary report indicating its market share on gross sales by geographical zone and by product type (fixed-rate bonds, inflation-indexed bonds, strips and BTFs)

SVTs shall authorise transmission to AFT of data on their trading in French bond credit default swaps.

C.2 – SVT assessment criteria

The assessment of SVTs considers all of their tasks and the implementation of these tasks defined in this charter and its appendices.

Three factors are used to assess the relative efforts of each SVT. The first factor is participation at the auctions. The second factor relies on data supplied by SVTs concerning their secondary market operations. The third factor is AFT's assessment of the quality of its relationship with the SVT. The criteria used to assess the quality of the relationship are explained in Appendix 2.

AFT discloses its assessment in the form of an annual league table ranking the top SVTs. SVTs are informed of the ranking terms beforehand. The ranking of SVTs considers three assessment factors with the following weightings: 40% for participation in the primary market, 30% for operations on the secondary market and 30% for the qualitative assessment.

Each quarter, AFT notifies each SVT of its position on the primary and secondary markets. AFT notifies SVTs of changes in its assessment of service quality as necessary.

C.3 – Annual assessment meeting

An annual assessment meeting is held between AFT and each SVT. The SVT manager and alternate attend the meeting. The purpose of the meeting is to assess the service provided by the SVT during the previous year on the basis of the assessment criteria defined in this charter and to discuss anticipated changes for the next year. The assessment gives rise to a written report.

³ The market share considered corresponds to the weighted market share, calculated in accordance with the provisions in Appendix 2.1.

⁴ The market share considered corresponds to the weighted market share, calculated in accordance with the provisions in Appendix 2.1.

C.4 – Selection of SVTs

SVTs are selected by the Minister for the Economy, acting on the recommendation of the Director General of the Treasury, who is the Chair of AFT. The Director General of the Treasury may seek the advice of a selection committee in order to draft these recommendations. The institutions concerned by this procedure are notified in due time and are informed of the membership of the committee by AFT's Chief Executive.

C.5 – Cases of default and dispute resolution

In the event of any violation of this charter, AFT may decide to suspend some or all of the SVT's operations, for such period as AFT shall determine, and downgrade the qualitative assessment in the annual ranking.

In the event of a serious violation, AFT shall propose to the Minister the suspension or striking-off of the SVT. Such suspension or striking-off shall be made public.

AFT may take the same steps in the event of any material changes in the operations or situation of an SVT that is contrary to the proper enforcement of the charter.

In the event of a dispute between the State and an SVT, French law shall be the governing law and the courts with jurisdiction shall be those within the jurisdiction of the Paris Court of Appeal.

Only the French version of this charter and its accompanying appendices is authentic. AFT shall submit this charter to the *Autorité des Marchés Financiers* (AMF). SVTs shall submit this charter to their supervisory authority as defined by the European Markets in Financial Instruments Directive.