



# **2 ND OECD GLOBAL FORUM**

**SEPTEMBER, 2005**  
**CHINA**

REGULATION IN PUBLIC  
BOND MARKETS IN BELGIUM



## **I. SCOPE OF THE PRESENTATION**

## **II. REGULATED OFF-EXCHANGE MARKET (ROEM)**

## **III. MARKET RULES**

## **IV. CONCLUSION**



## **I. SCOPE OF THE PRESENTATION (1) DIFFERENT LEVELS**

- EU LEVEL (e.g. several directives : the framework of the FSAP)
- LEVEL OF THE STATE
- LEVEL OF THE COMMUNITIES AND REGIONS



## **I. SCOPE OF THE PRESENTATION (2) DIFFERENT MARKETS**

### **A. PRIMARY MARKETS**

### **B. SECONDARY MARKETS**

- Stock exchange Market
- Regulated off-exchange market in linear bonds (olos), strips  
and Treasury certificates (=bills)



## **II. REGULATED OFF-EXCHANGE MARKET (1) :**

- Natural Market for Professional Players
- MTS Belgium (2005 : +/- 23% volume OLO, 33% volume Treasury certificates) forms part of it
- Data : see [www.rentenfonds.be](http://www.rentenfonds.be)
- Supervised by Securities regulation Fund (SRF) and Banking, Finance and Insurance Commission (BFIC)



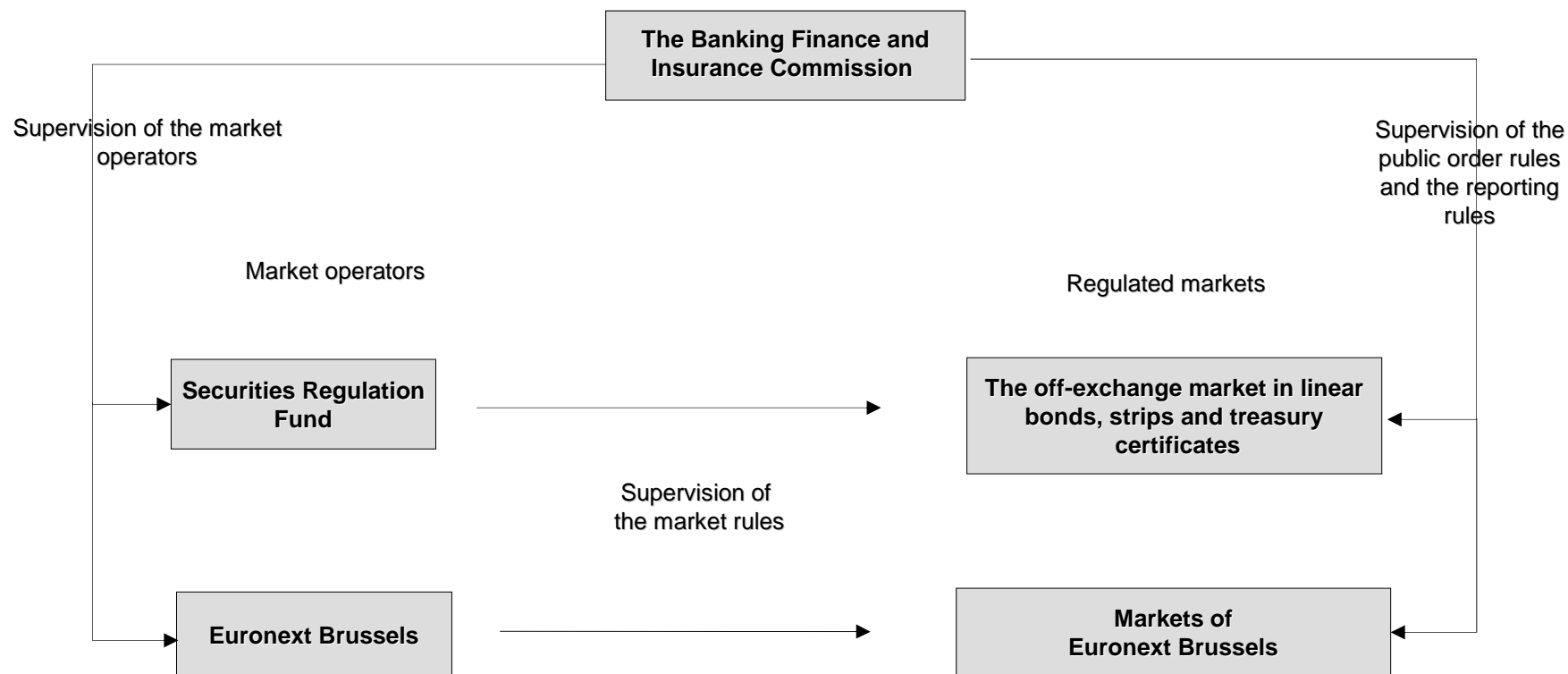
## **II. REGULATED OFF-EXCHANGE MARKET (2):**

- Regulation and supervision to a large extent based on the law of 2 August 2002 relating to the supervision of the financial sector and on financial services
- Fundamental changes
  - in principle : one supervisor : Banking, Finance and Insurance Commission
  - BFIC is responsible for compliance with
    - reporting rules
    - code of conduct
    - rules on market abuse (market manipulation/insider trading)
  - Special status for government securities : delegations of powers to the already existing Securities Regulation Fund acting as a “Market Operator”



## II. REGULATED OFF-EXCHANGE MARKET (3)

### SUPERVISORY STRUCTURE OF THE BELGIAN REGULATED MARKETS





## **II. REGULATED OFF-EXCHANGE MARKET (4) :**

- The Securities Regulation Fund (SRF) is an independent public institution;
- It guarantees the liquidity (for retail investors) of the stock exchange market in public debt securities;
- It performs the technical functions relating to the management of the debt of the Belgian State;
- It performs the functions of administration and supervision (as a marked operator) of the regulated off-exchange market in linear bonds, strips and Treasury certificates of the Belgian State. As such it establishes the market rules and supervises compliance with them;
- It provides market transparency by publishing certain data (see further);
- On behalf of the Banking, Finance and Insurance Commission (BFIC) it supervises compliance with :
  - public order rules
  - reporting rules
- The BFIC supervises the way how the SRF carries out its task as market operator.



## II. REGULATED OFF-EXCHANGE MARKET (5)

### Scope

- purchase, sale, repo, swap, lending and borrowing transactions of linear bonds, strips and treasury certificates
- and mostly when market members are involved. Foreign investors wishing to conclude such transactions on the ROEM can in particular take contact with a primary dealer and ask or agree to carry out the transaction on the ROEM. This does not involve any contribution or charge

### Market membership

- goal : only those categories of institutions offering the most guarantees for the smooth functioning and the integrity of the market.
- rules regarding acquisition, suspension and exclusion. In the last 2 cases : warning in advance, except urgency.



### **III. MARKET RULES (1)**

Preliminary remark : Rules of conduct (together with rules on market abuse) are to be distinguished from the market rules

- Scope beyond that of the regulated markets;
- Intermediaires are required to have an internal code of conduct to ensure compliance with :
  - the rules of conduct;
  - the rules to avoid market abuse;
- Intermediaires must appoint a person who is in charge of ethics.



### **III. MARKET RULES (2)**

Admission to trading and protective measures (in order to guarantee the smooth functioning of the market)

- linear bonds, strips and treasury certificates are admitted for trading from the time of publication of their essential characteristics.
- the SRF may SUSPEND trading :
  - on the entire market or on a segment (e.g. MTS Belgium)
  - in one or more tranches of the security
  - for a specified or unspecified period

Rationale : guaranteeing the smooth functioning of the market in the event of excessive price volatility

- the SRF may DELETE a financial instrument
  - Exception (investors protection) : opposition BFIC
- the SRF may CLOSE the market



### **III. MARKET RULES (3) GENERAL RULES**

#### 1. Rules applicable to all offers and transactions effected on the market

- Information obligation to the counterparty (identity, not acting in own name, etc...)
- Recording of telephone conversations (preserved for at least 4 months)
- Confirmation obligation (minimum requirements as regards timing and content)
- Settlement : rules for transmission of instructions; normally DVP

#### 2. Rules on buying and selling

- rules with respect to price and value date
- rules with respect to the amount payable
- rules with respect to late payment or delivery (compensation or transaction cancelled)



### **III MARKET RULES (4)**

#### **OBLIGATIONS FOR MARKET MEMBERS**

- Obligation to confirm to the client on a contract note
- Obligation to comply (a.o.) with the fair practices in trading and the highest standards of integrity
- Obligation to have the appropriate staff, ressources, systems, etc... : for the protection of the interets of investors and to ensure the smooth functioning, integrity and transparency of the market



### **III. MARKET RULES (5) REPORTING AND MARKET TRANSPARENCY :**

- with a view to the transparency of the market, every market member must ensure that every buying or selling transaction on the market is reported individually to the SRF (in theory to the BFIC, see page 6)
- As quickly as possible (at the latest by 10.30 a.m. on the bank working day following)
- A list of data to be provided
- SRF publishes :
  - a reference price for each tranche of linear bonds;
  - a reference interest rate for the most representative types of strips;
  - a reference interest rate for each treasury certificate;
  - statistical information (relating to the previous bank working day) on volumes.



### **III. MARKET RULES (6)**

#### **ENFORCEMENT**

- I. The SRF Committee can
  - issue a warning or a reprimand
  - impose an administrative fine
  - suspend a member
  - exclude a member
  
- II. An appeal can be lodged with the Brussels Court of Appeal in case of disagreement.
  
- III. Parties to a dispute may ask the SRF Committee to act as an arbitrator (free of charge)  
Condition : arbitral award constitutes full and final settlement of the dispute.



## **IV CONCLUSION**

Since debt management remains one of the key priorities of the Belgian government, a regulatory framework has been put in place in order to guarantee

- the protection of the investors
- the smooth functioning
- the integrity and
- the transparency of the public debt markets.