

MTS BELGIUM

SPECIFIC MARKET RULES

Effective as of 29th November, 2018

These Specific Market Rules together with MTSAM Common Market Rules collectively constitutes the rulebook for MTS Belgium and should be read in conjunction with one another. The MTSAM Common Market Rules apply to MTS Belgium in their full and entire meaning.

All capitalised terms are taken in their full meaning from the Definitions within the MTSAM Common Market Rules.

1. General Provisions

1.1 Definitions

In addition to the definitions listed in the MTSAM Common Market Rules, the following definitions are also applicable to MTS Belgium:

“BDA”	means the Belgian Debt Agency
“BFR”	means Belgian Floating Rate, a variable interest-bearing public government bond issued by the BDA
“BFR Segment”	means the segment of the Market dedicated for trading between Participants in BFR’s.
“BFS”	means Belgian Fungible Strips, the nominal value corresponding to the redemption value of the original OLO.
“BFS Segment”	means the segment of the Market dedicated for trading between Participants in BFS’s.
“Bond Segment”	means the segment of the System dedicated for trading between Participants in OLOs, , BFRs and BFS.
“BTC”	means Belgian Treasury Certificate, a short-term zero-coupon Treasury bill issued by the BDA.
“BTC Segment”	means the segment of the Market dedicated for trading between Participants in BTCs.

“OLO”	means Obligation Linear, an interest-bearing public government bond issued by the BDA
“OLO Segment”	means the segment of the Market dedicated for trading between Participants in OLO’s.
“Primary Dealer”	means an institution that has been designated by the BDA as a Primary Dealer.
“Recognized Primary Dealers”	means an institution that has been designated by the BDA as a Recognized Primary Dealer.
“Specific Market Rules”	means the rules of the Market, specific to a Market Segment as may be made, amended or replaced from time to time by the relevant Market Committee or another body of MTSAM.

1.2 Market Rules

1. For the purpose of this Article, all decisions taken by the Company pursuant to the MTSAM Common Market Rules shall be taken by the Board unless specifically delegated by means of a Board Resolution to another body of the Company.

2. Financial Instruments

2.1 Financial Instruments

The issuer is the Kingdom of Belgium. The Financial Instruments available for trading are:

- a. Fixed coupon-bearing Securities
- b. Floating rates Securities
- c. T-Bills
- d. Strips

2.2 Minimum Lots

The minimum Quote quantity for each Financial Instrument is as follows:

1. OLOs.

Benchmark Securities *	Euro 2.5 million, 5 million or 10 million
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2. BTCs.

All Securities	Euro 10 million
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3. BFRs.

All securities	Euro 2.5 million
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4. BFSs.

All securities	Euro 1 million
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Minimum quote quantity depends on maturity bucket. For more information, please write to mtsam@mtsam.com or refer to the regulatory specification section on the website

The **minimum order quantity** for all Tradable Securities is euro 2.5 million except for BFS securities where it is euro 1 mio.

The minimum increment quantity is 0.5 million euro for all Securities.

The Trading System will reject Quotes and Orders entered for amounts lower than the ones reported in the tables above.

Financial Instruments shall be classified in the following maturity buckets according to their remaining maturity:

1. OLOs.

Bucket A	1.25 years to 3.5 years
Bucket B	3.5 years to 6.5 years
Bucket C	6.5 years to 13.5 years
Bucket D	13.5 years to 17.5 years
Bucket E	17.5 years to 40 years
Bucket F	Over 40 years

2. BTCs.

Bucket A	0 to 3 months
Bucket B	3 to 6 months
Bucket C	6 to 12 months

3. BFRs.

All securities	N/A
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4. BFSs.

All securities	N/A
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3. Participants

3.1 Participants admission criteria

In addition to the General conditions for admission specified in Article 3.1 of the MTSAM Common Market Rules, institutions requiring admission to trading must:

Belong, either directly or via an agent, to the clearing and settlement institution specified below, and have suitable links with such institution for the settlement of trades on the System: National Bank of Belgium

In addition to the institutions indicated in Article 3.1 of the MTSAM Common Market Rules, also the BDA can become a Participant.

3.2 Participants admission procedures

In addition to what is provided in Article 3.2. of MTSAM Common Market Rules, an institution that wishes to be admitted to trading on MTS Belgium as a Market Maker must satisfy MTSAM that it has a net worth, as calculated by the respective regulatory instructions for supervisory purposes of the institution, of at least an amount of euro 250 million. Or the equivalent in another currency.

In accordance with MTSAM Common Market rules, an institution that wishes to be admitted to trading on a MTSB as a Price Taker must (A) satisfy MTSAM that it has a net worth, as calculated by the respective regulatory instructions for supervisory purposes, of at least Euro 40 million or the equivalent or has in place guarantees to the satisfaction of the Board in an amount of not less than such sum and (B) demonstrate a total turnover in Belgian government securities of no less than Euro 300 million over the twelve months preceding the date of the application to become a Price Taker.

Furthermore, a Price Taker which proves to be Marker Maker in at least three domestic MTS government bond markets shall be enabled to take part in trading on MTS Belgium through single-sided Proposals.

In addition to what is provided in paragraph 1 and 2 of Article 3.2 of the MTSAM Common Market Rules, paragraph 3 shall be amended as follows:

MTS Belgium distinguishes between 3 categories of Participants:

Market Maker

Liquidity Provider

Price Taker

3.3 Participant on-going undertakings

The MTSAM Common Market Rules apply.

In addition to the undertakings in MTSAM Common Market Rules, each Price Taker shall undertake to the Company and other Participants from time to time:

1. To ensure fulfilment of the conditions referred to in Article 3.3 of MTSAM Common Market Rules and the relevant section of Article 3.2 of these Specific

Market Rules.

2. To notify the Company immediately in case of any breach of any of the undertakings in Article 3.3 of MTSAM Common Market Rules and Article 3.2 of these Specific Market Rules.

In addition to the undertakings in the MTSAM Common Market Rules, each Market Maker undertakes to the Company and other Participants from time to time, to make Double-Sided Quotes on the System in relation to all Financial Instruments assigned to it and to do so in compliance with the provisions regarding quoting commitments. Such undertaking shall not apply to a Financial Instrument while it is suspended from trading on the Market.

The Company may at its discretion:

- a. Agree to a temporary suspension of its undertaking in paragraph [1] above; or
- b. Temporarily suspend a Market Maker's undertaking in paragraph [1] above if normal market conditions do not apply or a MMI occurs; or
- c. Temporarily amend the methods of calculation referred to in the provisions regarding quoting commitments, if normal market conditions do not apply or a MMI occurs.

3.4 Resignation of Participants

The MTSAM Common Market Rules apply.

In addition to what is provided in article 3.4. of MTSAM Common Market Rules, a market maker or liquidity provider may change status to Price Taker by giving no less than 1 month notice in writing to MTSAM.

3.5 Suspension Participants from trading

The MTSAM Common Market Rules apply

3.6 Exclusion of Participants from trading

The MTSAM Common Market Rules apply

3.7 Market Committee

The Market Committee consists of the Primary Dealers of the Belgian State.

On top of it, the following banks are member of the Market Operations Committee:

Société Générale

Barclays Bank

KBC Bank

ING Bank

4. Trading

4.1 General systems operations

The MTSAM Common Market Rules apply.

4.2 Types of Trade

The MTSAM Common Market Rules apply.

4.3 Market trading hours

The MTSAM Common Market Rules apply.

4.4 Quotes and Orders

In addition to the provisions specified in MTSAM Common Market Rules, MTS Belgium has further specific provision regarding the contribution of Quotes:

1. Contribution of Quotes in OLO & BFR Segment must be made in price.
2. Contribution of Quotes in BTC & BFS Segment must be made in yield.

The MTSAM Common Market Rules apply.

4.5 Contracts

The MTSAM Common Market Rules apply.

4.6 Conclusion and registration of Trades

The MTSAM Common Market Rules apply.

4.7 Mid-Price crossing

The MTSAM Common Market Rules apply.

4.8 Cancellation of Trades

The MTSAM Common Market Rules apply.

4.9 Market Making Agreements

Participants who enter the Market Maker Agreement should quote the instrument class “OLO” defined as compulsory Financial Instruments by the BDA in accordance with the quoting parameters as set and communicated by the BDA in order to achieve 75% or higher compliance rate - and automatically become eligible to fee-rebate based on quarterly performance as approved by the Board of Directors.

For the sake of the Market Making Agreement, Article 4.9.3. of the Common Market Rules for Instrument Classes “OLO” is not sufficient.

There are no market making commitments on instrument classes “BTC” and “BFS”. Therefore on these Instrument Classes “BTC” and “BFS” a Market Maker needs to follow the Market Making Strategy as described in article 4.9.3. of the Common Market Rules. A minimum number of 6 lines for Instrument Class BTC and 5 lines for Instrument Class “BFS” should be quoted by a Market Maker in order to be eligible as a Market Maker.

Procedure for Market Makers’ quarterly average adjusted compliance to quoting commitments regarding compulsory Financial Instruments as set by the BDA

Market Making agreement on Instrument Class “OLO”

1. MTSAM shall notify each Market Maker of the Financial Instruments assigned to it, pursuant to the undertakings in Article 3.3.2 of the MTSAM Common Market Rules, not more than once a calendar month, to the obligation to make Double-Sided Quotes in such Financial Instruments by electronic notification.
2. In order to comply with applicable regulations, the following provisions of the MTSAM Common Market Rules shall apply:
 - (i) Article 4.9.5
 - (ii) Article 4.9.6
 - (iii) Article 4.9.7
 - (iv) Article 4.9.8 will be replaced as follows: “Unless otherwise specified in the Specific Market Rules, when a Market Maker is in breach of the Market Making Agreement for three (3) consecutive months, MTSAM reserves the right to issue such Market Maker with a written notice of the breach asking for strict compliance with the Market Making Agreement and an explanation of the reasons behind the breach. Following receipt of the above notification, where the Market Maker in question fails to honour its Quoting Commitments for three (3) additional consecutive months, MTSAM shall have the right to initiate the disciplinary procedure as per Article 7 (...).”
3. Should a Market Maker wish to pursue a Market Making Strategy on Financial Instruments in addition to those allocated to it under the above Article 4.9.1, it must notify MTSAM of the intention to do so not less than 2 Trading Days prior to the commencement of the Market Making Strategy by electronic notification.
4. The Market Making Commitments of Participants include: On each Trading Day to make Quotes on the Market, for at least five (5) hours in relation to each Financial Instrument assigned to it from time to time by MTSAM, and to do so in compliance with the Quoting Spread and Quantity Obligations specified in articles 4.9.5 and 4.9.6.
5. The minimum number of hours in relation to the obligations to make Quotes on the Market

per Trading Day during the Trading Hours of the Market is 5 hours.

6. Quoting Spread and Quantity Obligations for Instrument Class “OLO”

Maturity bucket	Minimum quote size (Euro million)	Maximum bid/offer Spread
Bucket A (1.25 - 3.5 years)	10	complete spread based on time-weighted average spread quoted by all market makers over their best 5 hours plus 25% deviation. For quotes of comparable size, there must be no more than 50% difference between bid and ask sizes
Bucket B (3.5 - 6.5 years)	10	
Bucket C (6.5 - 13.5 years)	10	
Bucket D (13.5 - 17.5 years)	5	
Bucket E (17.5 - 35 years)	5	
Bucket F (35+ years)	2,5	

N.B. Spread is express in ticks

At the end of each quarter MTSAM calculate the average compliance of each Market Maker, taking into account technical problems, holiday calendar, exceptional market circumstances and problems of other nature as communicated to MTSAM by the Market Maker.

Should the average quarterly compliance, duly corrected taking into account the abovementioned eventualities, be higher than 75% compliance threshold, the Market Maker will then be entitled to fee rebate as per scheme agreed upon by the Board of Directors after yearend results are known.

Market makers have the option of receiving daily compliance reports upon request containing information on the Best 5Hrs Spreads (5HrSp), the Quantity during best 5Hrs Spreads (5HrQty), the Quotation time and the Compliance Ratio (in %). The compliance ratio is calculated based on the banks performance for the items previously mentioned compared to CompSp and the CompQty. This data would provide simple and straightforward information on relative secondary market performance. If you would like to apply to this service, please send an email to mtsam@mtsam.com

Calculation of Compliance Ratio for one security:

Definition:

1. Quotation Time. These data provide the total time the security was quoted
2. Best 5Hrs Spread (5HrSp). This is the time weighted average spread of the best (i.e. sharpest quoted) 5 hours of each security. In case the market maker has quoted less than or equal to 5 hours, the time weighted average spread of the total quotation time will be provided here.

3. Quantity during Best 5Hrs Spread (5HrQty). This is the time weighted average quantity expressed in million, quoted during the 5HrSp. In case the market maker has quoted less than or equal to 5 hours, the time weighted average quantity of the total quotation time will be provided here.

A market maker's compliance with quoting requirements will be evaluated on a quarterly basis, based on 5HrSp with ($5HrQty \geq CompQty$) and ($5HrSp \leq CompSp$).

For each Benchmark security (s):

$CompQty = \text{Minimum quantity set by the BDA}$

$$CompSp_s = K \cdot \frac{\sum_{\text{MTSB quoting market makers}} 5hrSp}{\# \text{ MTSB quoting market makers}}$$

The compulsory b/o spread fluctuates on a daily basis in function of the market situation. For each security s the CompSp is the widest of:

- the average spread quoted by all market makers to whom that security is allocated, plus 25% (the result being rounded up to the next half tick) and ;
- The bottom spread, which is set at 1.5 basis points for bonds (converted into ticks and rounded to the nearest half tick) and at 2.0 basis points for bills. The bottom spread for bonds is updated on a monthly basis.

As a starting point, K is set to 1.25. The magnitude of K is subject to subsequent adjustments based on BDA decision.

If a Market maker has quoted prices in a compulsory Financial Instrument with ($5HrSp \leq CompSp$) and ($5HrQty \geq CompQty$), then the compliance ratio in this security will be:

$$CR_s = \min \left[\frac{Quotation\ time_s}{5} ; 1 \right]$$

In other cases, the compliance ratio in the specific security will be zero.

Daily and Quarterly CR (compliance ratio)

The daily CR (DCR) is calculated as:

$$DCR = \frac{\sum_{i \in \text{Benchmark}} CR_i}{\# \text{ Benchmark}}$$

The daily CR of each market maker will be excluded when the average daily compliance ratio

of all the market makers is below 50% on that day, except when their daily CR is beneficial for them on that day, when calculating their Quarterly Compliance Ratio.

The quarterly CR (QCR) is the sum of all DCR ratios divided by the total number of working days, i.e.

$$QCR = \frac{\sum_{d \in \text{working days}} DCR_d}{\# \text{ working days}}$$

4.10 Law governing Trades

The MTSAM Common Market Rules apply.

5. Clearing and settlement of Trades

5.1 Clearing and settlement of Trades

The System is connected to the clearing and settlement Institutions and to the Central Counterparty via the SWIFT network. On a real time basis, the System sends instructions to these institutions on behalf of Participants.

Participants will authorise the chosen settlement institution to settle instructions sent by MTS Belgium by executing a "Power of Attorney" – arranged by the relevant settlement institution in favour of MTSAM. Alternatively, a Participant may make use of a settlement agent, executing with such settlement agent a declaration in the form specified by the Company. In this latter case, the settlement agent will be requested to sign the Power of Attorney arranged by the chosen settlement institution.

A participant shall only be permitted to use one single account to settle transactions executed on MTS Belgium.

Furthermore a Participant can opt to use LCH.Clearnet SA as a Central Counterparty. A Participant wishing to use the Central Counterparty will lodge with the Company the CCP application form specified by the Company.

In addition to the MTSAM Common Market Rules:

- a. The settlement cycle for the Financial Instruments is T+2 with the exception of securities traded in the grey market.
- b. Securities traded in the grey market will be settled on the date of first settlement as determined in the issue conditions of the Kingdom of Belgium.

6. Provision of data and information

6.1. Provision of data to Participants

The MTSAM Common Market Rules apply.

6.2. Provision of data to Authorities

The MTSAM Common Market Rules apply.

6.3. Provision of data to debt management offices

The MTSAM Common Market Rules apply.

6.4. Provision of data to the public

The MTSAM Common Market Rules apply.

6.5. Amendments and communications

The MTSAM Common Market Rules apply.

7. Supervision and Sanctions

7.1. Monitoring the course of trading

The MTSAM Common Market Rules apply.

7.2. Breach undertakings

The MTSAM Common Market Rules apply.

7.3. Procedure in respect of article 7.2

The MTSAM Common Market Rules apply.

7.4. Failure to honour Quoting Commitments

The MTSAM Common Market Rules apply.

8. Final Provisions

8.1. Liability

The MTSAM Common Market Rules apply.

8.2. Disputes

The MTSAM Common Market Rules apply.