



**Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta**  
**National Treasury Management Agency**

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**THE PRIMARY DEALER SYSTEM IN IRISH GOVERNMENT  
BONDS, INCLUDING ISSUANCE AND RELATED DEBT  
MANAGEMENT ARRANGEMENTS**

**January 2013**

## **1. INTRODUCTION**

Ireland's national debt is managed by the National Treasury Management Agency (NTMA). The NTMA issues Government bonds, Treasury Bills, Commercial Paper and other wholesale and retail debt products on behalf of the Minister for Finance.

This document explains and outlines the issuance procedures and related debt management arrangements in respect of Irish Government bonds and supersedes all previous documents issued by the NTMA on this subject. This document does not create legal relations and is not intended to be a technical framework of all of the detail of the Primary Dealer System in Irish Government bonds, issuance and related debt management arrangements. Market participants, including Primary Dealers, operate in the market at their own risk. The NTMA shall not be responsible, in any manner, for any losses, direct or indirect, arising in relation to any transactions entered into by any such participants.

All times referred to in this document are local times in the Dublin market.

## **2. CRITERIA FOR PRIMARY DEALERS**

Primary Dealers are expected to play an active role in the issuance, distribution and marketing of Irish Government bonds.

The NTMA applies the following criteria for the ongoing recognition of Primary Dealers:

Primary Dealers must be members of the Irish Stock Exchange.

Primary Dealers are required to be market makers in Irish Government bonds and to comply fully with the obligations arising therefrom.

The NTMA will have regard to an institution's suitability for recognition by reference to its management depth and experience, dealing capability including the ability to participate in bond auctions, marketing strategy, geographic distribution capacity, and its ability to support the NTMA's funding programme. A prospective Primary Dealer will also be required to certify that it is authorised to conduct business of the nature contemplated herein under the laws of the jurisdiction in which it is incorporated and the markets in which it intends to deal in Irish Government bonds.

Primary Dealers shall be committed to developing, through their marketing strategy, new client investment in Irish Government bonds. To do this, Primary Dealers shall have available dedicated professionals, separate from their market-makers, selling Irish Government bonds, and shall regularly include coverage of developments in Ireland's economy and capital markets in their published research. The NTMA reserves the right to review and withdraw recognition of a Primary Dealer, having provided a reasonable notice period at its discretion, particularly in the event of substantial change in its business or financial situation,

its human or organisational resources, or its attainment of the criteria referred to above. The NTMA may also accord or withdraw recognition for market management purposes or for any other reason it deems necessary from time to time.

In the event that a Primary Dealer intends to resign, such firm should liaise in good time with the NTMA in order to ensure an orderly withdrawal, including the timing and date of resignation.

### **3. OBLIGATIONS OF PRIMARY DEALERS**

Primary Dealers are obliged to quote on demand to clients, to agency-only stockbrokers acting on behalf of clients and to the NTMA, firm bid and offer prices in each bond notified from time to time by the NTMA on its website [www.ntma.ie](http://www.ntma.ie). Primary Dealers are also obliged to continuously display the bid and offer prices at which investors can, in the normal course, expect to transact, in each of the benchmark bonds.

The standard settlement period for Irish Government bonds is three days (T+3); and, unless indicated to the contrary, Primary Dealers' bond prices must be quoted on the basis of three-day settlement.

Primary Dealers are required to quote bid and offer prices for designated Irish Government bonds on any electronic trading platform such as EuroMTS, BGC Partners Inc. and BrokerTec, or on any other platform of good market standing as agreed with the NTMA. Primary Dealers are obliged to quote in a minimum size as decided by the NTMA from time to time.

A Primary Dealer shall be deemed to be compliant in respect of its quoting obligations if it maintains a bid-offer spread as decided by the NTMA from time to time for each Irish Government bond for at least five hours per trading day on the electronic trading platforms outlined above. The obligation to quote will apply between the hours of 8:00 a.m. and 4:00 p.m. every day on which the Irish Stock Exchange is open. However, a Primary Dealer will not be obliged to quote on public holidays in the financial centre from which it operates. The NTMA will monitor the bid-offer spreads on a regular basis.

In general the NTMA will regard the bid-offer spreads maintained by each Primary Dealer on its platform of choice for compliance and in the broader market as a key component in assessing the Primary Dealer's ability to provide liquidity and show commitment to the Irish Government Bond market.

A Primary Dealer which is part of a wider corporate group conducting Irish Government bond business in other, separate, capacities (such as funds management) must ensure that there are no actual or potential conflicts of interest in the performance of its functions as a Primary Dealer. A Primary Dealer shall ensure that its employees engaged in carrying out functions as a Primary Dealer operate independently of, and do not share information with employees in other business areas involving Irish Government bonds by operating a strict separation by way of 'Chinese Walls' between the business units.

Each Primary Dealer will comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Irish Government bonds and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Irish Government bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Issuer shall have no responsibility therefor.

The Irish Stock Exchange has provision in its Rules, as approved by The Central Bank of Ireland, for the timely reporting to the Exchange by Primary Dealers of each bond trade (including bond trades with the NTMA) undertaken by them. The NTMA expects that Primary Dealers will fully comply with their obligations as members of the Irish Stock Exchange.

In addition, the NTMA requires each Primary Dealer to provide it with a daily report on its end-day net open position in designated bonds. Each Primary Dealer will also be required to supply the NTMA in arrears on a monthly basis with detailed turnover data certified by its Compliance Office.

#### **4. FUNDING / ISSUANCE ARRANGEMENTS**

##### **4.1 Bond Auctions**

One or more bonds may be offered in each auction.

The bonds to be issued through an auction will be announced by the NTMA on Bloomberg Page NTMA2 and on its website [www.ntma.ie](http://www.ntma.ie). The announcement will indicate the time at which the auction will be held and whether the auction allocations will be based on a multi-price model or a single-price, Dutch-style model.

The NTMA reserves the right in exceptional circumstances not to proceed with a previously announced auction.

The Bloomberg Auction System will be used to conduct an auction and announce the results. In the event of a Bloomberg network fault at any time during the bidding process the auction may be cancelled by the NTMA and all bids deemed void. An alternative time, and if necessary alternative arrangements, for the auction will be announced as soon as practicable. The NTMA reserves the right to make other arrangements for the conduct of any auction if it is not fully satisfied with the operation of the Bloomberg Auction System.

It is the responsibility of Primary Dealers to ensure that they are enabled on the Bloomberg Auction System to participate in an auction.

On the auction date, once the auction is opened, bids may be submitted up to the deadline indicated in the auction announcement,

Each bid will indicate:

- (a) the bond required
- (b) the nominal amount, which must be at least €100,000
- (c) the price, which must be a multiple of € one cent (€0.01)

Primary Dealers may submit multiple bids and may amend their bids up to the time the auction closes.

Each Primary Dealer is required to submit bids for aggregate amounts up to at least ten per cent of the maximum amount indicated for the auction and such bids must be at or above the market bid level.

The NTMA reserves the right at its absolute discretion to reject all or any bids submitted.

In a multi-price competitive auction, allocations will be made in descending price order with a pro-rata adjustment of the allocations at the lowest accepted price, where required, in order to bring the total allocations in line with the amount to be issued as decided by the NTMA. Allocations will be made at the bid prices.

In a single-price competitive auction, allocations will be made in descending price order with a pro-rata adjustment of the allocations at the cut-off price, where required, in order to bring the total allocations in line with the amount to be issued as decided by the NTMA. All allocations will be made at the cut-off price.

Participants will be informed of the bids that have been accepted and of the overall results of the auction approximately fifteen minutes after it has closed, unless technical problems occur that call for alternative arrangements.

For a multi-price auction the NTMA will normally announce the following results:

- Nominal amount sold
- Highest accepted price
- Lowest accepted price and any partial allocation percentage
- Weighted average accepted price
- Cover ratio, where applicable.

For a single price auction the NTMA will normally announce the following results:

- Nominal amount sold
- Cut-off price

Immediately after a competitive auction has closed, the NTMA may open a non-competitive auction of the bonds sold in the auction – this will be made clear in the original auction announcement. Participants may place their bids with the NTMA by Bloomberg messaging or by recorded telephone. The price in the non-competitive auction will be the weighted average price of the multi-price competitive auction or the cut-off price of the single-price competitive auction, whichever is appropriate. Each Participant will be entitled to bid for up to twenty-five per cent of the amount of each bond allocated to it in the competitive auction. The non-competitive auction will close as per the auction announcement.

The NTMA, following consultation with the Primary Dealers, may change the arrangements governing eligibility and participation in non-competitive auctions.

## **4.2 Syndication**

The NTMA may issue a new bond or a further tranche of an existing bond via syndication from time to time. The form and procedure for the syndication will be in line with the custom and practice of the market and as is necessary under the prevailing market conditions.

## **4.3 Non-Syndicated Tap Issuance**

- (1) Subject to market conditions, the NTMA may offer bonds by a tap mechanism. When issuing by tap, the NTMA will announce on Bloomberg (page NTMA2) and to the market generally the terms of the tap issue. Once the tap is opened, Primary Dealers may place their orders by Bloomberg messaging.
- (2) To the extent that aggregated demand exceeds the amount which the NTMA decides to issue, orders will be satisfied on a proportional basis. The NTMA reserves the right in its absolute discretion to reduce or reject all or any orders placed by Primary Dealers in a tap. If there is excess demand for a tap the NTMA may, at its discretion, supply exceptionally up to the full amount demanded.
- (3) Primary Dealers will be advised via Bloomberg (page NTMA2) when a tap is closed and of the amount sold.

#### **4.4 Direct Issuance**

The NTMA will quote prices directly to certain eligible financial institutions for amounts of up to €100,000 to facilitate purchases of bonds by retail / personal investors. This facility will be confined to financial institutions that:

- (i) are authorised by the Central Bank of Ireland under the Markets in Financial Instruments Regulations of 2007 to undertake the type of business contemplated herein; and
- (ii) are general Trading Member Firms of the Irish Stock Exchange with approval to deal in Irish Government bonds; and
- (iii) maintain an active private client business that trades in Irish Government bonds with retail / personal investors.

### **5. OTHER DEBT MANAGEMENT ARRANGEMENTS**

#### **5.1 Switches**

Subject to market conditions, the NTMA may offer a bond switch from time to time. A switch is the purchase of a bond and the simultaneous sale of another. A switch, including the terms, will be announced on Bloomberg page NTMA2 and on the NTMA's website, [www.ntma.ie](http://www.ntma.ie).

Once the switch is opened, Primary Dealers may place their orders by Bloomberg messaging.

To the extent that aggregated demand for the switch exceeds the amount which the NTMA decides is appropriate, orders will be satisfied on a proportional basis. The NTMA reserves the right in its absolute discretion to reduce or reject all or any orders placed by Primary Dealers for a switch.

Primary Dealers will be advised via Bloomberg (page NTMA2) when a switch is closed and of the amounts switched.

Exceptionally, and subject to market conditions, the NTMA may facilitate the switching needs of Primary Dealers on a reverse inquiry basis in order to assist with the better management of their positions in Irish government bonds.

#### **5.2 Repos and Reverse Repos**

The NTMA may, at its sole discretion, supply bond repos and reverse repos of Irish Government bonds to Primary Dealers in response to their requirements. In the normal course such transactions will be for designated bonds only and will be in line with current practice and custom in the market generally including the necessary legal arrangements.

### **5.3 Alternative debt management mechanisms.**

For the better management of Ireland's national debt, the NTMA may use other issuance and debt management mechanisms including buybacks. This is where the NTMA decides to buy back bonds by reverse auction, reverse tap or any other such mechanism as may be required by market circumstances.

As Ireland's debt management arrangements evolve the NTMA may, following consultation with the Primary Dealers, engage in whatever issuance mechanisms it considers necessary for the better management of the national debt.

## **6. COLLECTIVE ACTION CLAUSES.**

Paragraph 3 of Article 12 of the Treaty Establishing the European Stability Mechanism states:

*“Collective auction clauses shall be included, as of 1 January 2013, in all new euro area government securities, with maturity above one year, in a way which ensures that their legal impact is identical.”*

All new Irish Government bonds issued from 1 January 2013 will include collective action clauses in conformity with the terms of the ESM Treaty.

## **7. NTMA SECONDARY TRADING FUNCTION**

In tandem with its primary market activities the NTMA maintains a secondary trading function to trade in Irish Government bonds in the secondary market. The purpose of the secondary trading function is to support market liquidity and to acquire market intelligence. The NTMA expects Primary Dealers to actively engage with its secondary trading function.

## **8. REVIEW OF ARRANGEMENTS**

The NTMA will continue to consult regularly with Primary Dealers to review the working of the arrangements set out herein, including issuance arrangements, in order to improve the liquidity and efficiency of the market for Irish Government bonds, to examine market trends, and to consult on proposed operational changes that appear desirable to the operation of the Irish Government bond market. The NTMA reserves the right, in its absolute discretion, following consultation with the Primary Dealers and other important market participants, to make such revisions to this document as in its judgement are required from time to time.

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