



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

THE PRIMARY DEALER SYSTEM IN IRISH GOVERNMENT BONDS

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1.INTRODUCTION.....3

2. CRITERIA FOR PRIMARY DEALERS.....3

3. OBLIGATIONS OF PRIMARY DEALERS4

4. FUNDING / ISSUANCE ARRANGEMENTS5

 4. 1 Irish Government Bond Auctions5

 4.2 Non-Competitive Auction.....6

 4.3 Syndication7

 4.4 Non-Syndicated Tap Issuance.....7

5. OTHER DEBT MANAGEMENT ARRANGEMENTS.....7

 5.1 Switches7

 5.2 Repos.....8

 5.3 Alternative debt management mechanisms.8

 5.4 Irish Treasury Bills8

6. NTMA SECONDARY TRADING FUNCTION.....8

7. REVIEW OF ARRANGEMENTS.....8

1. INTRODUCTION

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 National Treasury Management Agency (NTMA) on this subject. This document does not create legal relations and is not intended to be a technical framework of all the detail of the Primary Dealer System in Irish Government bonds and bond issuance arrangements. Market participants, including Primary Dealers in Irish Government bonds ('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

In order to be recognised by the NTMA, Primary Dealers must be members of the Irish Stock Exchange (trading as Euronext Dublin) and adhere to its rules.

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 a Primary Dealer's suitability for recognition by reference to its management depth and experience, dealing capability including the ability to participate in Irish Government bond and Irish Treasury Bill 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-making personnel, 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 withdraw recognition of a Primary Dealer particularly in the event of substantial change in that Primary Dealer's business or financial situation, its human or organisational resources, its performance against the criteria referred to in this document or for any other reason it deems necessary at its sole and absolute discretion. The NTMA will normally seek to provide at least three months' notice of withdrawal of recognition. However, this period may be shortened at the sole and absolute discretion of the NTMA.

A Primary Dealer which intends to resign from that role should inform the NTMA in writing at least three months in advance 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 as listed by the NTMA on its website 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 bonds.

The standard settlement period for Irish Government bonds is two days (T+2); and, unless indicated to the contrary, Primary Dealers' bond prices must be quoted on the basis of two-day settlement.

Primary Dealers are required to quote bid and offer prices for Irish Government bonds as listed on the NTMA's website www.ntma.ie on any recognised electronic trading platform such as EuroMTS, BGC Partners Inc. and BrokerTec, or on any other platform of good market standing as agreed by each Primary Dealer with the NTMA. Primary Dealers are obliged to quote in a minimum size of €5 million nominal per bond. The obligation to quote does not apply to bonds with less than 18 months to maturity.

A Primary Dealer shall be deemed to be compliant in respect of its quoting obligations if it maintains a bid-offer spread acceptable to the NTMA for each Irish Government bond for at least five hours per trading day on one of the electronic trading platforms outlined above. The NTMA will monitor each Primary Dealer's compliance on one electronic trading platform only, from month-to-month. Primary Dealers should notify the NTMA of any change of the platform used at least one month in advance.

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 (trading as Euronext Dublin) is open. However, a Primary Dealer will not be obliged to quote on public holidays in the financial centre from which it operates.

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 between relevant 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 (trading as Euronext Dublin) 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 trades with the NTMA) undertaken by them. The NTMA expects that Primary Dealers will fully comply with their obligations as members of the Exchange.

In addition, the NTMA requires each Primary Dealer to provide it with a daily report on its end of day net open market-making-related position in bonds, as listed on www.ntma.ie. Each Primary Dealer will also be required to supply the NTMA in arrears on a monthly basis with detailed turnover data conformed to the EU Harmonised Reporting Format¹ certified by its Compliance Office. Daily position reports and monthly turnover reports should be mutually consistent with turnover information provided to the Irish Stock Exchange (trading as Euronext Dublin).

4. FUNDING / ISSUANCE ARRANGEMENTS

4.1 Irish Government Bond Auctions

The NTMA will announce auction schedules in advance, usually the first working day of the calendar quarter. Irish Government bond auctions will normally be held on the second Thursday of those months in which the NTMA decides to issue. One or more bonds may be offered in each auction. The NTMA will announce the bond, or bonds, to be included in the auction and the amount or range approximately 2 to 3 working days before the auction.

The NTMA will announce the details of the auctions on Bloomberg page NTMA2 and on its website, www.ntma.ie.

The NTMA reserves the right not to proceed with a previously announced auction in circumstances it deems, in its sole and absolute discretion, to be exceptional.

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 before or during the auction 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 used by Ireland to participate in an auction.

¹ For more details see http://europa.eu/efc/primary-dealers-information_en

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

Each bid must indicate:

- (a) The Irish Government bond required
- (b) the nominal amount, which must be at least €1,000,000 and a multiple of €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 at least 10 per cent (minimum obligation) of the amount of bonds offered at an auction. Where the amount offered is a range this minimum obligation applies to the bottom of the range.

In the case of a dual bond auction the minimum obligation can be spread across the bonds or in one bond at the discretion of the Primary Dealer.

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

Auction allocations will be based on the single-price, Dutch-style method, where all successful bids are allocated at the cut-off price. 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 as soon as possible after the auction has closed.

The NTMA will normally announce the following results publicly:

- Nominal amount sold
- Cut-off price and equivalent yield to maturity
- Cover ratio

4.2 Non-Competitive Auction

Immediately after a competitive auction has closed, the NTMA will open a non-competitive auction of the bonds sold in the auction. The price in the non-competitive auction will be the cut-off price of the competitive auction.

Primary Dealers will be entitled to bid for up to 15% of their respective successful bids in the competitive auction. Bids must be for multiples of €100,000 and may be submitted up to 10.00 a.m. two business days following the competitive auction.

Bids in the non-competitive auction should be submitted directly with the NTMA by

Bloomberg messaging, or by any other method specified by the NTMA to designated NTMA personnel.

4.3 Syndication

The NTMA may issue a new Irish Government 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 recommendations of the International Capital Markets Association and as is necessary under the prevailing market conditions.

4.4 Non-Syndicated Tap Issuance

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.

To the extent that total demand from all Primary Dealers 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 sole and absolute discretion, supply up to the full amount demanded.

Primary Dealers will be advised via Bloomberg (page NTMA2) when a tap is closed and of the amount sold.

5. OTHER DEBT MANAGEMENT ARRANGEMENTS

5.1 Switches

Subject to market conditions, the NTMA may offer a general 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.

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

To the extent that total demand from all Primary Dealers for the general 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.

Subject to market conditions, the NTMA may, at its sole and absolute discretion, facilitate the switching needs of Primary Dealers on a bilateral reverse inquiry basis to assist with the better management of their positions in Irish government bonds.

5.2 Repos

The NTMA may, at its sole and absolute discretion, engage in repos in Irish Government bonds with Primary Dealers in response to their requirements.

5.3 Alternative debt management mechanisms.

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. The NTMA may decide to buy back bonds by reverse auction or any other such mechanism as may be required by market circumstances.

5.4 Irish Treasury Bills

The NTMA will offer Treasury Bills as per the announced auction schedule. Auction details will be announced on the NTMA Bloomberg page (NTMA1) and on the NTMA's website www.ntma.ie. Information regarding Primary Dealer obligations can be found in the Irish Treasury Bills Information Memorandum which is available on the NTMA website at <https://www.ntma.ie/business-areas/funding-and-debt-management/government-securities/short-term-instruments>.

6. 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 which is shared with the primary market function. While the secondary market function is located in the dealing room with the Primary market function, staffing is separate, and no market position information is shared by the Primary Desk with the Secondary Desk. The secondary trading function ceases or limits trading around certain primary activities such as auctions and syndicated sales. The NTMA expects Primary Dealers to actively engage with its secondary trading function.

7. 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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