

SVT CHARTER

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Appendix 1

Primary market operating rules

1.1 – Organisation of auctions

1.1.1 – Schedule of regular auctions

Auctions of long-term OATs are held on the first Thursday of each month at 10:50am.¹ These auctions include long-term fixed-rate OATs.

Auctions of medium-term OATs are held on the third Thursday of each month at 10:50am. They include fixed-rate medium-term OATs.

AFT defines the distinction between medium-term and long-term securities each year in the announcement of the annual borrowing programme.

Auctions of inflation-indexed securities are held on the third Thursday of each month at 11:50am.

The procedures for potential auctions in December are specified in the announcement of the annual borrowing programme.

BTF auctions are held each Monday at 2:50pm.

SVTs are duly notified of any strictly exceptional changes to the auction schedule.

AFT publishes the annual schedule of medium-term and inflation-indexed bond auctions and settlement dates on its website at the beginning of the year.

The calendar of BTF auctions and settlement dates for the coming quarter is published no later than the beginning of each quarter on the AFT website.

¹ The times indicated in this paragraph are the cut-off times for SVTs' bids. All times given in these schedules are Paris time.

1.1.2 – Specific scheduling rules

AFT issues a specific communication when announcements, auctions, NCBs or settlements are scheduled on a day that is a legal holiday in Paris.

Exceptionally, AFT may depart from the announced auction schedule. It may change the monthly auction date or cancel a monthly auction, particularly in the case of a syndicated issue.

AFT may hold an additional unscheduled auction of short-term BTFs for cash management purposes. The exceptional auction shall be announced to the market at least one day in advance, and settlement may take place on the following business day.

AFT may change the auction schedule in the course of the year, after consulting the SVTs. In this case, AFT shall announce the new schedule of auctions until the end of the year.

1.1.3 – Announcements made prior to auctions

BTF auction announcements are made at 11:00am on the Friday before the auction. The announcement includes the list of lines to be issued, the range of amounts to be issued on each line, and the auction and settlement dates.

The same information is given at least one business day in advance in the case of an exceptional BTF auction, as described in 1.1.2.

Details of auctions of fixed-rate or inflation-indexed OATs are announced at 11:00am on the Friday before the auction, regardless of the cut-off time. The announcement includes the list of lines to be issued, a range of possible total amounts to be issued, as well as the auction and settlement dates.

AFT announces auctions with press releases and through the MAITRE auction system. The announcements are featured on the *Agence France Trésor* pages on the main wire services, as well as on AFT's website (see table below).

	OAT LT	OAT MT	INFLATION	BTF
REUTERS	ADJJOATLT/ AUCTOATLT	ADJJOATMT/ AUCTOATMT	ADJJOINFLA/ AUCTINFLA	ADJJBTF/AUCTBTF
BLOOMBERG			TREX <GO>	
INTERNET			www.aft.gouv.fr	

1.1.4 – Auction procedures

Bidders send their bids to the *Banque de France*. Except in the event of force majeure, the bids are sent through the MAITRE auction system. If MAITRE is unavailable or if any bidder is unable to connect to it, a back-up procedure for submitting bids is provided, supervised by the Banque de France.

The *Banque de France* notifies bidders of the practical rules governing auctions. There are two types of bids:

- Competitive bids or CBs, which must reach AFT before the cut-off time indicated in 1.1.1. They are served at the bid price/rate using a “Dutch” auction procedure.
- Non-competitive bids or NCBs, which are served according to the calculation procedures explained in Appendix 3.

1.1.5 – Settlement of auctions and buybacks

As a general rule, settlement for regular auctions takes place two business days after the auction: on the following Thursday for BTFs and on the following Tuesday for other securities (see 1.1.3 for the specific scheduling rules).

For each failure to deliver, the amount of the penalty due under article B1 b) of the SVT Charter is equal to the sum of the interest calculated for each day of delay as follows: redemption value of the undelivered securities, multiplied by the €STR for the corresponding day, if positive, divided by three hundred and sixty (360) days. The minimum penalty is one thousand (1,000) euros. The €STR is the short-term rate in euros calculated by the European Central Bank on the basis of the rates charged by European banks on unsecured wholesale loans for the period from the reference date to the next business day.

1.1.6 – Reverse auctions (buybacks of securities through auctions) and exchange auctions

The terms of reverse auctions and of exchange auctions are determined by AFT after consulting the SVTs.

1.2 – Bidding rules

1.2.1 – Price dispersion

Limits are set to avoid excessive concentration of the securities issued in the hands of a few investors, thereby ensuring smooth auctions. **For all BTF auctions**, and for each bidder, the maximum amounts offered at each price (or yield) of the bidding scale cannot exceed €1bn, and cannot exceed under any circumstances the maximum amount announced by AFT to be auctioned on the BTF concerned. .

This rule does not apply to additional auctions of short-term BTFs held for cash management purposes as described in 1.1.2.

1.2.2 – Disclosure requirement for successful bidders

Any institution obtaining more than 40% of the issued volume on an individual line (not including NCBs) must notify AFT. The bidder shall reveal the identity of its main customers to AFT or the SVT's business rationale if the SVT intends to retain a significant share of the volume purchased.

Rules 1.2.1 and 1.2.2 above are set as parameters of the MAITRE auction system.

1.2.3 – Disclosure requirement for customer orders

SVTs shall provide an anonymous list of customer orders for par value amounts in excess of the thresholds set out below. SVTs shall specify the size and price of each order.

The disclosure thresholds are:

- €100m for BTFs
- €50m for fixed-rate OATs
- €15m for inflation-indexed OATs

1.3 – Publication of results

AFT publishes the results as soon as practicable after the cut-off time. The results include at least the following data for each line:

- Bid volume
- Amounts issued
- Limit price (or limit rate for BTF auctions)
- Percentage served at limit price (or limit rate for BTF auctions)
- Weighted-average yield
- Weighted-average price (except for BTF auctions)

AFT publishes the results simultaneously through the various financial information systems referred to in 1.1.3.

AFT communicates anonymous bidding results to bidders through MAITRE. Apart from this, within each institution, these results 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, and to their respective teams if they are involved in the matter. AFT is the only institution authorised to disclose this information to other persons.

Appendix 2

Ranking of SVTs

The ranking of SVTs is obtained by adding up the points attributed for results in three areas:

- SVTs' primary market performance (45 points in total)
- SVTs' secondary market performance (30 points in total) assessed on the basis of three sets of figures: overall volumes handled by the SVT on the secondary market, volumes handled with end customers and volumes handled in relation to specific products (repos, OATs and OATs linked to a price index, strips)
- Quality of the service provided by the SVTs (25 points in total), assessed from three standpoints: operational quality, quality of recommendation, and closeness and stability of the relationship with AFT

Points are attributed to the SVTs in proportion to their actual market share (primary or secondary market operations) or reconstituted market share (qualitative assessment). For instance, an SVT having a 5% share of the primary market will obtain 2,25 points (5% of 45 points) for the primary market component.

The method for awarding points, as well as the weighting coefficients, may be reviewed at any time by AFT and the SVTs.

2.1 – Assessment of SVTs' primary market performance (45 points)

Operations on the primary market are assessed on the basis of the SVTs' market share in auctions and over-the-counter buyback operations. Each SVT's rating corresponds to 45 times the weighted market share obtained at auctions and buybacks. The market share is measured out to four decimal places. Weighting coefficients for auctions and over-the-counter buybacks factor in the duration of the benchmark securities for the relevant maturity range.

The weighting coefficients are as follows:

- For BTFs, BTANs and OATs (excluding inflation-indexed bonds):

Residual maturity	<5 mos.	5 mos. to 1 yr	1 to 3 yrs	3 to 5 yrs	5 to 7 yrs	7 to 8.5 yrs	8.5 to 12 yrs	12 to 18 yrs	18 to 25 yrs	25 to 35 yrs	>35 yrs
Coeff.	0.50	1	2	4	6	8	10	15	19	27	36

- The coefficients in the above table are multiplied by 1.5 for floating-rate products:

Residual maturity	<3 yrs	3 to 5 yrs	5 to 7 yrs	7 to 8.5 yrs	8.5 to 12 yrs	12 to 18 yrs	18 to 25 yrs	>25 yrs
Coeff.	3	6	9	12	15	22.5	28.5	40.5

For an exchange auction, unless otherwise specified by AFT, the weighted market share is determined by the par value acquired by the SVT, multiplied by a coefficient equal to the absolute value of the difference between the coefficients above applied to the bond issued and to the bond bought back.²

2.2 – Assessment of SVTs’ secondary market performance (30 points)

This assessment relies on the statistical data SVTs provide in the harmonised European format, plus the report on repo transactions.

The following are not considered and are therefore assigned a weighting equal to 0:

- Purchase and sale transactions made through auctions and OTC buybacks with AFT, which are taken into account in the primary market ranking
- Syndicated transactions

On the other hand, repo transactions with AFT are considered for the secondary market performance assessment.

A total of 30 points are attributed to the SVTs for their secondary market operations. The points are awarded to the SVTs according to their performance in each of the segments in the table below:

SEGMENT	POINTS AWARDED
Fixed-rate bonds	20.5 points
Inflation-indexed bonds	6 points
Strips	0.5 points
Repos	3 points

² For example, the coefficient for an exchange of fixed-rate securities with respective maturities of 4 years and 30 years is 23 (difference between 27 and 4) and the coefficient for an exchange of fixed-rate securities with respective maturities of 26 and 30 years is 0 (difference between 27 and 27).

The points awarded to an individual SVT are determined by multiplying its market share on each segment, rounded to two decimal places, by the number of points assigned for such segment. This market share is a weighted average, where the weighting coefficients depend on the maturity and nature of the security and on the counterparty.

Market share for purchases and sales of OATs, inflation-indexed OATs and BTFs is calculated using a weighted average per maturity, with the following weighting coefficients:

Residual maturity	<5 mos.	5 mos. to 1 yr	1 to 3 yrs	3 to 5 yrs	5 to 7 yrs	7 to 8.5 yrs	8.5 to 12 yrs	12 to 18 yrs	18 to 25 yrs	25 to 35 yrs	>35 yrs
Maturity coeff.	.50	1	2	4	6	8	10	15	19	27	36

Coefficients are as follows for strips:

Residual maturity	<5 mos.	5 mos. to 1 yr	1 to 3 yrs	3 to 5 yrs	5 to 7 yrs	7 to 8.5 yrs	8.5 to 12 yrs	12 to 18 yrs	18 to 25 yrs	25 to 35 yrs	>35 yrs
Maturity coeff.	0.50	1	2	4	6	8	10	15	21	30	42

Finally, transactions where the counterparty is an end customer (“customer” in the harmonised European format) are assigned a coefficient equal to 3.5 times the coefficient assigned to interdealer transactions.

	End customer counterparty	Interdealer counterparty
Coeff.	Maturity coeff. x 3.5	Maturity coeff. x 1

For repo transactions: total volume of transactions by the SVT divided by the total transaction volume for the month.

2.3 – Qualitative assessment of SVTs’ relationships with AFT (25 points)

An SVT’s operational quality, quality of recommendation and the closeness of its relationship with AFT are assessed on the basis of the criteria defined in the table below. All of these criteria correspond to undertakings provided for in the charter governing relationships between AFT and the SVTs.

The closeness and stability of the relationship are attributed a compound rating of 0 to 10 based on the criteria in the table below.

Indicators	Criteria	Rating	Relevant charter item
Operational quality: contribution to the secure operation of the market for government securities and financing	<ul style="list-style-type: none"> - Smooth primary market operations (recommendation, security, bidding participation) - Market-making activity on the secondary market - Security of settlement - Participation in State and CDP treasury operations 	/4 /2,5 /1,5 /2	A-1-a,b,c) A-2 B-1-b)
Quality of recommendation: contribution to improving AFT and central government policies	<ul style="list-style-type: none"> - Market information and analysis - Research relevance and quality Sales (communication concerning French Treasury securities/commitment of sales personnel) 	/2 /2 /2	A-3-a) / C-1 A-3-b) A-3-b) A-4
Closeness and stability of the relationship with AFT	<ul style="list-style-type: none"> - Quality and stability of contacts at all levels - Presence in France - Contribution to discussions of the finance industry and to AFT strategic projects - Coordination of public issuers 	/9	A-5 / B-1-a) / B-2

Appendix 3

Calculating the amounts served for NCBs³

A specialist in French Treasury securities may exercise his rights to non-competitive bids on behalf of a customer, provided that this exercise would result in the physical transfer to your counterparty of the securities acquired by this means.

All SVT comply with the following rules:

- the SVT will not provide customers with price-guaranteed formulas indexed to the average auction price with a discount, even if the discount corresponds to the valuation of non-competitive bidding rights acquired by the SVT;
- the amount that each SVT can retrocede to its customers at each auction is calculated on the basis of acquired rights to NCBs, and not on the basis of any future rights linked to a future auction;
- the percentage of ONC retrocession to a customer may not exceed the percentage shown in column 2 (col. 2) infra applied to the order placed by that same customer.

³ NCBs must be received no later than 4:30pm one business day after a regularly scheduled auction (e.g. for a 10:50am auction on Thursday, the NCBs must be received no later than 4:30pm on Friday). In any event, the date and cut-off time for NCBs are given in the auction announcement on MAITRE.

Type of security (column 1)	Maximum amount allocated for NCBs (column 2)	Cap on NCBs ⁵ for each line (column 3)	Maximum NCB amount per SVT ⁶ (column 4)
BTF	30% of the total amount issued per line		(column 2) per line x allocation coefficient
Fixed-rate OAT ⁴	30% of total amount issued for each category of security sold	For each line sold, minimum between: - 30% of the outstanding amount of the line after the auction - 35% of the amount issued at the auction	(column 2) x allocation coefficient: - To be divided freely between the various lines of the same category of security sold - Up to a cap per line of (column 3) x allocation coefficient
Inflation-indexed OAT	30% of total amount issued for each category of security sold	For each line sold, minimum between: - 30% of the outstanding amount of the line after the auction - 35% of the amount issued at the auction	(column 2) x allocation coefficient: - To be divided freely between the various lines of the same category of security sold - Up to a cap per line of (column 3) x allocation coefficient

⁴ For the purposes of these rules, OATs issued on the first Thursday of the month and OATs issued on the third Thursday of the month are deemed to be two different categories of securities.

⁵ Except in the case of BTFs, SVTs are free to divide the NCB amounts defined in column 2 for each category or sub-category between all of the lines auctions in the same category or sub-category, up to the cap defined in column 3.

⁶ The maximum NCB amount per SVT is rounded up to the nearest million.

The NCB allocation coefficient for each SVT in each category of securities corresponds to the arithmetic mean of its purchases of all of the lines sold at the three previous auctions of securities in the same category (not including the current auction). The coefficient is rounded to two decimal places.

The purchases of each line sold are expressed as a percentage rounded to two decimal places. This figure is obtained by dividing the amount obtained by the SVT through competitive bids by the total amount of the line sold.

The different classes of securities are: (1) BTFs; (2) fixed-rate OATs issued on the third Thursday of the month; (3) fixed-rate OATs issued on the first Thursday of the month; (4) inflation-indexed OATs.

The NCB price is the average auction price.

AFT reserves the right to cancel an SVT's right to submit NCBs if the SVT fails to bid in an auction without cause, or if the SVT fails to comply with certain undertakings set out in the charter.

For OATs, the price of NCB is calculated to the nearest rounding of the weighted average price in line with the auction system's input step, i.e. 0.01 euros. For BTFs, the NCB rate is calculated to the nearest rounding of the weighted average rate respecting the auction system input step, i.e. 0.005%.

The market shares obtained at the optional December auction may or may not be used to calculate NCB rights at subsequent auctions.