

CSDs: CDAD (Bulgaria)

Date: 18 Apr 2008

Countries: Bulgaria

Markets: Bulgaria

Draft Rules on Buy-on Margins, Short Selling and Securities Lending - Update

The Financial Supervisory Commission (FSC) announced the adoption of the changes to Regulation No. 16 on the Conditions and Procedures for Executing Buy-on Margins, Short Sales and Securities Lending.

The changes include:

- Investment intermediaries are allowed to lend money to clients for margin buys for any security (including the securities meeting the criteria of the regulations). The clients, however, will be required to deposit an initial collateral of at least 200% of the margin loan.
- The depository will have to open separate accounts for securities used for the purposes specified in the regulation.
- There will be separate accounts for margin buys and short sales, but a netting arrangement can be applied upon agreement between counterparties.
- These transactions will not be limited to institutional clients only. Investment intermediaries will have to assess on a per-client basis if they offer these services to professional and non-professional clients.
- The Central Depository AD will establish a system to facilitate securities borrowing and lending to support the timely settlement of margin buys and short sales.

The changes will come into effect after publication in the State Gazette.

CSD Risk Impact

CDAD (Bulgaria)

Impacted Risk Type: Liquidity Risk

Current Rating = A+

Flash Impact = On Watch

The introduction of buy-on margins and short-selling may disrupt liquidity and increase settlement fails in the market. However, with good fails management measures (stringent criteria applied for securities available for margin buys and short selling, coupled with a dedicated securities borrowing and lending), these procedures should not necessarily affect the liquidity in the market. As a result, we have assessed the impact as 'on-watch' pending on the developments regarding the aforementioned issues.

Market Information Impact

Bulgaria

This information affects the data contained in the Stock Lending and Repos sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Bulgaria

Market Rating: A-

Market Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = A-

Flash Impact = On Watch

The introduction of buy-on margins and short-selling may disrupt liquidity and increase settlement fails in the market. However, with good fails management measures (stringent criteria applied for securities available for margin buys and short selling, coupled with a dedicated securities borrowing and lending), these procedures should not necessarily affect the liquidity in the market. As a result, we have assessed the impact as 'on-watch' pending on the developments regarding the aforementioned issues.

Related Flash: [Draft Rules on Buy-on Margins, Short Selling and Securities Lending, 14/01/2008 \(click to view\)](#)

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