

## **Rules, Management and Mode of Operation of the San Marino state bonds on the Secondary Market**

### **Introduction**

Taken into consideration the Decree of the 23rd of February 2016 n.17 and the Decree of the 4th of May 2016 n.55, with whom the issues of the public debit of the Republic of San Marino have been disposed and in whom it is stressed the role of the intermediary entities of the banks in San Marino, the same banks, together with the Central Bank of San Marino, they have agreed to

regulate the activity of a secondary market in which the fundamental information for the trading management is available for everybody. This rules represents a useful instrument on a systemic level for the arrears, introducing a specific law issued by the Central Bank of San Marino for the negotiation of the financial products. This regulation has been inspired by the transparency and accuracy principles towards customers and they are indicated in the Law 17 November 2005 n.165

(LISF) and following amendments and integrations.

In order to be compliant to the transparency and the accuracy laws indicated in Part II, Chapter IV, Title I of the LISF, Banca Sammarinese di Investimento Spa, together with the other intermediary banks, it contributes for the State securities pricing and negotiation, creating in this way, a unique and transparent system in the whole banking system in San Marino.

### **Part one – relationship with the customers**

The secondary market is participated by those banks which have signed a specific agreement with the Eccellentissima Camera della Repubblica di San Marino for placing the securities. The role of depositary bank of Public securities is covered by the Central Bank of San Marino.

### **The financial products negotiated**

The bond securities of the Public Debt issued by the Eccellentissima Camera della Repubblica di San Marino.

### **Features of the market and pricing criterias**

Through the secondary market every bank will be able to provide information on the quantity of the single financial products available in the whole market. The gross prices, of sell and buy, they will be uniform in all counters of the Republic of San Marino. According to the Decrees for the Public Debt securities issues, the role of the banks includes also the Public Debt securities buyback commitment toward the customers. The pricing criterias of the instruments listed on the secondary market of San Marino are the same for all the subjects involved.

Every piece of information or event that could lead to a price change of a listed financial instrument it is acquired simultaneously by all the subjects involved which share the information concerned through a common informative platform. During a trade order subscription, a specific document indicating “order executed” is given to the customer and it also bears the following minimum parameters :

1. Customer's information and dossier details
2. Description of the traded security with the related ISIN code
3. Nominal quantity
4. Gross price
5. Value date

The trade instructions will be considered as "executed" just if all the above mentioned terms are true.

### **Information commitments towards the customers**

The prices, the quantities treated and any other general information about the securities in the secondary market are available on the website of the participants banks.

On the website of every single bank the total value and the weighted average price of the transactions executed the previous working day are always available. The price of the single financial instruments is updated at least once a day during working days.

The transactions executed and the other information about the past is available on the websites of every single bank. The banking staff remain at the disposal of the customers for any clarification or information related to the market and pricing criterias. The customers interested in buying or selling listed financial products on the San Marino secondary market, they can ask to their reliable bank in order to get the information needed for the execution of the transaction concerned.

A copy of the following guideline will be delivered to the customers which will buy a listed public debt security but also to those which needs more information.

The guideline will be also available on the website of every bank and its branches.

## **Part II – relationship with the surveillance authority**

### **Market management**

Every single bank, for every public security issued, it will insert daily on their Bloomberg platform area the prices and the related quantities purchased. The trades between different banks can happen through any way that is transparent and efficient.

In order to complete the trade information on paybacks, coupons etc. every single bank will make reference to the newsletter of the 19th February 2016, prot. n.16/1480 and particularly to the attachment n.1. In the case that these instructions change for any reason, these guidelines themselves must be considered amended and the banks involved must inform promptly to their own Board of Directors.

### **Surveillance on the secondary market**

In the arrears of a specific guideline issued by the Central Bank concerning the financial products and about the mode of operation of the secondary market or on the general investment activities, the principles that must be taken into consideration are the ones indicated in the Part II, Chapter IV, Title I of the LISF.

### **Pricing criterias**

Even if it is not in harmony with the efficiency principles of the current market, which is today is not existing for the public debt bonds, the pricing criteria aims at a stable price for the several public debt issues on values which are very close to the issuing price.

This value could be amended respecting the real price stability criteria being equal to impartial conditions, if one of the following cases will happen :

1 – Change of the Republic of San Marino international rating.

2 – Change of the performance conditions of the new public debt issues .

In this case the prices will be uniformed to the new issues at the equal average duration.

3 – Change of the index rate in the case that the cap and/or floor options are verified.

In these instances it will be used the difference between the option rate (cap option for the euribor gains and floor option for the euribor losses) and the euribor rate used for the current coupon. The said difference, at the same duration, it will change the security price.

4 – Changements in the economic and financial environment in the Republic of San Marino. In these cases the prices could be updated according to the specific new conditions of the issuer.

Every price amendment that occurs due to the mentioned cases, it will be valid only when all the banks involved will be informed and they will have updated the price on their Bloomberg platform. In order to respect the stability principle every bank must change the price offered to the new one according to the case happened.

Each bank undertakes to amend the price offered and to insert promptly the updated information on the Bloomberg platform. Moreover, each bank must communicate via Bloomberg with the other banks involved in order to share every piece of information on the cases indicated above. Any other change, independently from the cause, which could affect concretely the correct representation of the price of the public debt issues, following the transparency principle, it will be assessed and controlled by the banks involved and they must indicate the reasons of the amendments, providing a detailed analysis to the Central Bank.

### **Transfer of Public securities between the banks**

The transfer of the Public securities of the Republic of San Marino between the banks participating in the secondary market through the Central Bank, it involves the buyback obligation.