

# Issuance of German Federal Securities / Bund Bidding System BBS

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# 1 German Federal Debt Management

## 1.1 Institutional framework in Germany

☒ **Federal Ministry of Finance, Berlin ([www.bundesfinanzministerium.de](http://www.bundesfinanzministerium.de)):**

**Issuer**

☒ **German Finance Agency, Frankfurt ([www.deutsche-finanzagentur.de](http://www.deutsche-finanzagentur.de)):**

**Central service provider for Germany's Federal debt management**

☒ **Deutsche Bundesbank, Frankfurt ([www.bundesbank.de](http://www.bundesbank.de)):**

**Fiscal agent of the Federal Government on behalf of the German Finance Agency and for the account of the Federal Government**

# 1 German Federal Debt Management

## 1.2 German Finance Agency

Established in September 2001, private limited company, wholly-owned by the Federal Republic of Germany. Purpose: Professional debt management in the name and for the account of the Federal Republic of Germany.

### Responsibilities:

- ☒ Decision on debt instruments and fixing of the conditions of the Federal securities.
- ☒ Publication of the issuance calendar.
- ☒ Reduction of interest costs.
- ☒ Ensuring the benchmark-status of the German Federal securities in the European government bond market.

# 1 German Federal Debt Management

## 1.3 Bundesbank

**Bundesbank as „fiscal agent“ of the Federal Government and provider of bank services to the German Finance Agency is involved in the Federal debt management:**

- ☒ Providing the primary market platform Bund Bidding System (BBS) and technical handling of auction procedures.**
- ☒ Price management operations with German Federal securities through the German stock exchanges.**

## **2 Debt instruments of the Federal Republic of Germany**

### **2.1 Federal Bonds (“Bunds”)**

- ☒ Fixed coupon securities, issued by auction on price basis**
- ☒ Denominated in Euro**
- ☒ Fixed maturities of 10 or 30 years**
- ☒ Benchmark status in the European government bond market**
- ☒ Underlying instrument for the Bund Future contract at Eurex**
- ☒ Each bond has a volume of up to Euro 26 billion**
- ☒ Currently 39 bonds outstanding with a total volume of Euro 728.5 billion**
- ☒ Listed on the regulated market at the German stock exchanges; price management through Bundesbank**
- ☒ Linker: 5 inflation-linked bonds outstanding with a total volume of Euro 60 billion**

## **2 Debt instruments of the Federal Republic of Germany**

### **2.2 Five year Federal notes (“Bobls“)**

- ☒ Fixed coupon securities, issued by auction on price basis**
- ☒ Denominated in Euro**
- ☒ Fixed maturity of 5 years**
- ☒ Benchmark status in the European government bond market**
- ☒ Underlying instrument for the Bobl Future contract at Eurex**
- ☒ Two new series every year**
- ☒ Volume per series: Up to Euro 21 billion**
- ☒ Currently 12 series outstanding with a total volume of Euro 213 billion**
- ☒ Listed on the regulated market at the German stock exchanges; price management through Bundesbank**
- ☒ Linker: One issue of inflation linked Federal notes outstanding with a total volume of Euro 15 billion**

## **2 Debt instruments of the Federal Republic of Germany**

### **2.3 Federal Treasury notes (“Schätze“)**

- ☒ Fixed coupon securities, auctioned on price basis**
- ☒ Denominated in Euro**
- ☒ Fixed maturity of 2 years**
- ☒ Underlying instrument for the Schatz Future contract at Eurex**
- ☒ 4 new issues every year**
- ☒ Volume per issue: Up to Euro 14 billion**
- ☒ Currently 9 issues outstanding with a total volume of Euro 110 billion**
- ☒ Listed on the regulated market at the German stock exchanges; price management through Bundesbank**

## **2 Debt instruments of the Federal Republic of Germany**

### **2.4 Treasury discount paper (“Bubills“)**

- Zero bonds, issued by auction on price basis**
- Denominated in Euro**
- Fixed maturity of 6 months**
- Volume per issue: Euro 2.0 billion**
- 6 issues outstanding with a volume of Euro 12 billion**
- Not listed (short term money market instrument)**

### **3 Basic features of the auction procedure**

☒ **Publication of an annual issue calendar and a detailed quarterly issue calendar in advance by the German Finance Agency.**

☒ **The auction timetable at any auction:**

**8 days before the auction ( $T - 8$ ): Announcement of each individual auction**

**1 day before the auction ( $T - 1$ ): Invitation to bid and publication of the complete characteristics of the auction paper (coupon, maturity, volume).**

**On the auction day ( $T$ ): Submission of bids / Allotment**

**On the value date ( $T + 2$ ): Payment and delivery**

### **3 Basic features of the auction procedure (cont.)**

- ☒ The auction procedure is the most important issue instrument of the German Government: The auction papers finance more than 95% of the German Government borrowing.**
- ☒ The Bundesbank is the provider of the primary market platform Bund Bidding System (BBS) and carries out the auctions in cooperation with the Finance Agency. The Bundesbank is responsible for the entire technical handling of the auctions.**
- ☒ Only members of the „Bund Issues Auction group“ are entitled to participate directly in the auctions.**
- ☒ Currently 36 members (credit institutions, securities trading firms and securities trading banks) which are resident in a member state of the European Union. Members are admitted by the German Finance Agency; application is possible at any time.**

## 4 Bund Issues Auction Group

- ☒ **The members are expected to achieve a minimum share of 0.05% of the total issue amount allotted at auctions in one calendar year; members, which fail to reach the minimum share will be excluded from the Auction Group.**
- ☒ **The members need a TARGET account for cash settlement and a delivery custody account at Clearstream Banking Frankfurt AG (CBF).**
- ☒ **Annual and semi-annual publication of a ranking list of the Auction Group members by size of their shares in a press release of the German Finance Agency. The ranking list is intended to generate an incentive to engage in the primary market of German Federal securities.**

## 5 Bund Bidding System (BBS)

### 5.1 Basics

- ☒ **BBS is web-based. The bidder needs no special hardware or software. The bidder only needs a standard PC with a standard operation system (Windows) and standard browser (IE, Firefox).**
- ☒ **The access to BBS is secured by user ID and password.**
- ☒ **Backup solution: Submission of bids via fax to our customer support.**
- ☒ **BBS is able to operate auctions of fixed nominal bonds (including inflation linked bonds) and zero bonds (Bubills) on price basis. Allotment on multiple price basis. Denomination in Euro only. No buyback operations, security lending activities or cash balances are available.**

## 5 Bund Bidding System (BBS)

### 5.2 Submission of bids / Bidding screen

- ☒ **Submission of bids: Bidding period lasts from 8.00 a.m. to 11.30 a.m. Frankfurt time.**
- ☒ **The bidding amount interval is 1 million Euro. The price interval for price bids is 0.01% (Bunds and Bobls), 0.005% (Schätze) and 0.00005% (Bubills).**
- ☒ **Within the bidding period the bidders are able to submit or delete bids at any time until deadline.**
- ☒ **Two kinds of bids are allowed: Competitive bids (price bids) and non-competitive bids.**
- ☒ **The bidders are able to use the full bidding period because of the quick response mechanism of the system.**

## 5 Bund Bidding System (BBS)

### 5.2 Submission of Bids / Bidding screen ( cont.)

- ☒ **The optimized bidding screen is one of the most important features of the bidding system. The design of the screen is very comfortable, userfriendly and self-explanatory.**
- ☒ **The bidding screen works with a plausibility check according to the auction rules: The bidder receives a warning message if the entries or bidding data are not allowed. It is not possible to enter bids which do not correspond with the bidding rules.**
- ☒ **The countdown time towards the deadline is displayed on the screen, also the system time.**
- ☒ **Bids submitted after deadline are invalid and are rejected automatically by BBS.**

## 5 Bund Bidding System (BBS)

### 5.3 Monitoring the auction procedure by Finance Agency, Ministry of Finance and Bundesbank

- ☒ **There are 2 surveys available for monitoring the bidding process: Decision list and list of bidders.**
- ☒ **The decision list is the most important survey. The bids are sorted by prices and the bids are accumulated. The list of bidders displays the bids with the name of the bidders.**
- ☒ **Only Finance Agency, Ministry of Finance and Bundesbank have a view on these lists.**
- ☒ **After bidding deadline expiry the Finance Agency uses the integrated simulation tool to test different varieties of allotment. Then the Finance Agency decides very fast and efficiently about the auction result. The Ministry of Finance and the Bundesbank do also have a view on the simulation tool.**

## 5 Bund Bidding System (BBS)

### 5.4 Simulation tool / Allotment decision

- ☒ **Allotment mode (US-style procedure or multiple price method):**
  - **Bids below the lowest accepted price are not considered**
  - **Bids above the lowest accepted price are allotted at the price specified in the bid.**
  - **Bids at the lowest accepted price and non-competitive bids can be scaled down by allotment rates on a percentage basis.**
  - **Non-competitive bids are allotted at the weighted average price of the price bids allotted.**
  
- ☒ **The Finance Agency uses three parameters for adjusting the auction result in the simulation tool:**
  1. **Fixing the lowest accepted price.**
  2. **Fixing the allotment rate for marginal price bids.**
  3. **Fixing the allotment rate for non-competitive bids.**

## 5 Bund Bidding System (BBS)

### 5.4 Simulation tool / Allotment decision (cont.)

- ☒ **The simulation tool displays the alternatives of allotment by changing the three parameters. After choosing the lowest accepted price the Finance Agency can vary the allotment rates for marginal bids and non-competitive bids.**
- ☒ **Finally the Finance Agency chooses a version in the simulation tool and suggests it by phone to the Ministry of Finance and the Bundesbank.**
- ☒ **After the release of the allotment by the Bundesbank the auction result is calculated immediately by the system.**

## 5 Bund Bidding System (BBS)

### 5.5 Bidders' view on the auction result / Publication in the market

- ☒ **Information of the Auction group directly via BBS: Usually two or three minutes after bidding deadline the bidders can view their individual auction result and the global auction result on the system.**
- ☒ **The global auction result is also published as fast as possible via information services like bloomberg or reuters (own pages of the Bundesbank) and by press release of the Bundesbank.**

## 5 Bund Bidding System (BBS)

### 5.6 View on the system: Start page

DEUTSCHE BUNDESBANK EUROSYSTEM

Bundesrepublik Deutschland  
Finanzagentur GmbH

Deutsch Contact Help

Homepage [Logout](#)

- Interne Anweisungen
- Support
- Auction announcement
- Invitation to bid
- Bids
- Allotment
- Analysis
- Basic data of the auction
- Correction of auction
- Structure of bidders
- Contact
- Logout

**BUND  
BIETUNGS  
SYSTEM**

# 5 Bund Bidding System (BBS)

## 5.6 View on the system: Invitation to bid

### Display invitation to bid

Auction: DE0001135001 - Federal bond

Auction-ID: X20080001  
Securities designation: 3.50 % Federal bond issue of 2006 (2016)

#### Characteristics of the issue

Coupon:	3.5000 %	Interest begins to accrue on:	04/07/2006
Maturity date:	04/07/2016	First coupon date:	04/07/2007
Coupon date:	04/07 ann.	Accrued interest:	128 day(s)
First coupon period:	365 day(s)	Stripping facility:	Yes
Interest calculation method:	act/act		

Envisaged issue volume  
(incl. amount set aside for secondary market operations): 8.000 EUR bn

#### Time schedule of the auction procedure

Date of invitation to bid:	06/11/2006		
Bidding period from:	07/11/2006 08:00 o'clock	Bidding period until:	07/11/2006 11:30 o'clock Frankfurt time
Stock exchange listing:	07/11/2006		
Value date:	09/11/2006		

Information text: Demonstration Bank of Italy



In addition, the auction rules, the special conditions for auction procedures of the Deutsche Bundesbank in the Bund Bidding System and the issue terms for Federal securities shall apply.

Print

User id: EXN00001

# 5 Bund Bidding System (BBS)

## 5.6 View on the system: Entry of bids

The screenshot displays the Bund Bidding System (BBS) interface. At the top left, the logos for Deutsche Bundesbank Eurosystem and Bundesrepublik Deutschland Finanzagentur GmbH are visible. The main navigation menu on the left includes: Auction announcement, Invitation to bid, Bids (selected), Enter / Display, Allotment, Contact, and Logout.

The main content area is titled "Enter bids" and shows the following details:

- Auction: DE0001135291 Federal bond
- Securities designation: 3.50 % Federal bond issue of 2005 (2016)
- Last bidder: Lasttestbenutzer fuer ABSNeu, null (EXN0)
- Bidding period until: 03/11/2006 15:00 o'clock Frankfurt time
- Auction will be closed in: 7 minute(s) 56 second(s)
- Total bids: 700 EUR mn

A table of current bids is shown below:

	Amount: EUR mn	Price bid: %	Cancel
Bid 1	100	non-competitive	<input type="checkbox"/>
Bid 2	100	100.10	<input type="checkbox"/>
Bid 3	150	100.09	<input type="checkbox"/>
Bid 4	150	100.08	<input type="checkbox"/>
Bid 5	100	100.05	<input type="checkbox"/>
Bid 6	100	100.04	<input type="checkbox"/>
Bid 7			<input type="checkbox"/>

Buttons for "Send" and "Print" are located below the bid table.

A "Bidding rules" pop-up window is open, showing the following details:

- Auction: DE0001135291 Federal bond
- Auction-ID: X20080031
- Securities designation: 3.50 % Federal bond issue of 2005 (2016)
- Minimum bid: 1 EUR mn
- Bidding interval: 1 EUR mn
- Price interval: 0.01 %
- Non-competitive bids: Yes (Note: To record non-competitive bids please enter '0')
- Yield bids: No
- Auction style: american

At the bottom left, the logo for "BUND AUCTION SYSTEM" and the date "01.02.0007" are visible.

## 5 Bund Bidding System (BBS)

### 5.6 View on the system: Decision list

<b>Decision list</b>							
Auction-ID: X20080031		Auction date:		03/11/2006			
ISIN: DE0001135291		3,50 % Anleihe des Bundes von 2005 (2016)					
all amounts in EUR mn							
No.	Price in %	Yield in %	Bids per price	Price bids accumulated	Competitive bids accumulated	Average price in %	Average yield in %
1	non-competitive	-----	3,520	-----	3,520	-----	-----
2	100.15	3.48	900	900	4,420	100.15	3.48
3	100.14	3.48	430	1,330	4,850	100.15	3.48
4	100.13	3.48	75	1,405	4,925	100.15	3.48
5	100.12	3.48	165	1,570	5,090	100.14	3.48
6	100.11	3.48	200	1,770	5,290	100.14	3.48
7	100.10	3.49	795	2,565	6,085	100.13	3.48
8	100.09	3.49	450	3,015	6,535	100.12	3.48
9	100.08	3.49	300	3,315	6,835	100.12	3.48
10	100.07	3.49	135	3,450	6,970	100.12	3.48
11	100.06	3.49	70	3,520	7,040	100.11	3.48
12	100.05	3.49	225	3,745	7,265	100.11	3.48
13	100.04	3.49	445	4,190	7,710	100.10	3.49
14	100.03	3.49	150	4,340	7,860	100.10	3.49
15	100.02	3.50	125	4,465	7,985	100.10	3.49
16	100.00	3.50	100	4,565	8,085	100.10	3.49
17	99.97	3.50	10	4,575	8,095	100.10	3.49

  

<b>Allotment of non-competitive bids</b>					
Allotment rate in %, Amounts in EUR mn					
95	3,344.00	70	2,464.00	45	1,584.00
90	3,168.00	65	2,288.00	40	1,408.00
85	2,992.00	60	2,112.00	35	1,232.00
80	2,816.00	55	1,936.00	30	1,056.00
75	2,640.00	50	1,760.00	25	880.00
				20	704.00
				15	528.00
				10	352.00
				5	176.00

  

<b>Refresh</b>	<b>Print</b>	<b>Export data</b>
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# 5 Bund Bidding System (BBS)

## 5.6 View on the system: Simulation tool

**Allotment simulation (final)**

Auction-ID: X20080031  
 Lowest accepted price: 100.07 %  
 Total issue amount: 8,000.000 EUR mn

	Ver. 1	Ver. 2	Ver. 3	Ver. 4	Ver. 5	Ver. 6	Ver. 7	Ver. 8	Ver. 9	Ver. 10
Lowest accepted price	100.07	100.08	100.09	100.10	100.11	100.12	100.13	100.14	100.15	
Bids at lowest accepted price	135.000	300.000	450.000	795.000	200.000	165.000	75.000	430.000	900.000	
Bids above lowest accepted price	3,315.000	3,015.000	2,585.000	1,770.000	1,570.000	1,405.000	1,330.000	900.000	0.000	
Allotment of price bids in total	3,450.000	3,315.000	3,015.000	2,565.000	1,770.000	1,570.000	1,405.000	1,330.000	900.000	
Non-competitive bids	3,520.000	3,520.000	3,520.000	3,520.000	3,520.000	3,520.000	3,520.000	3,520.000	3,520.000	
<b>Total allotment</b>	<b>6,970.000</b>	<b>6,835.000</b>	<b>6,535.000</b>	<b>6,085.000</b>	<b>5,290.000</b>	<b>5,090.000</b>	<b>4,925.000</b>	<b>4,850.000</b>	<b>4,420.000</b>	
Amount set aside for secondary market operations	1,030.000	1,195.000	1,465.000	1,915.000	2,710.000	2,910.000	3,075.000	3,150.000	3,500.000	
Total amount	8,000.000	8,000.000	8,000.000	8,000.000	8,000.000	8,000.000	8,000.000	8,000.000	8,000.000	

  

	Delete	Delete	Delete	Mark	---- Versions of allotment rates ----			
Lowest accepted price				100.07	100.07	100.07		
Bids at lowest accepted price				135.000	135.000	135.000		
Bids above lowest accepted price				3,315.000	3,315.000	3,315.000		
Allotment rate of marginal bids				100.00	100.00	100.00		<input type="button" value="calculate"/>
Allotment of bids at the marginal price				135.000	135.000	135.000		
Allotment of price bids in total				3,450.000	3,450.000	3,450.000		
Non-competitive bids				3,520.000	3,520.000	3,520.000		
Allotment rate of non-competitive bids				90.00	95.00	100.00		<input type="button" value="calculate"/>
Partial allotment of non-competitive bids				3,168.000	3,344.000	3,520.000		
<b>Total allotment</b>				<b>6,618.000</b>	<b>6,794.000</b>	<b>6,970.000</b>		
Amount set aside for secondary market operations				1,382.000	1,296.000	1,030.000		
Total amount				8,000.000	8,000.000	8,000.000		
	<input type="button" value="choose"/>							

## 5 Bund Bidding System (BBS)

### 5.6 View on the system: Auction result

#### Display allotment

Auction: DE0001135291 - Federal bond

Auction-ID: X20080031

Securities designation: 3.50 % Federal bond issue of 2005 (2016)

Auction date: 03/11/2006 Value date: 05/11/2006

#### Your allotment

Total amount: 490.000 EUR mn Average price: 100.09 %

Allotment in EUR mn	Price in %	Bid in EUR mn	Price in %
90.000	100.12	100	non-competitive
100.000	100.10	100	100.10
150.000	100.09	150	100.09
150.000	100.08	150	100.08
not considered		100	100.05
not considered		100	100.04

#### Global allotment

Bids: 8,095.000 EUR mn

of which Price bids: 4,575.000 EUR mn

Non-competitive bids: 3,520.000 EUR mn

Allotment 6,618.000 EUR mn

Lowest accepted price: 100.07 % Allotment rate of bids at lowest accepted price: 100.00 %

weighted average price: 100.12 % Allotment rate of non-competitive bids: 90.00 %

weighted average yield: 3.48 % Cover ratio: 1.2

Amount set aside for secondary market operations: 1,382.000 EUR mn

Issue volume: 8,000.000 EUR mn

[Print](#)

## 5 Bund Bidding System (BBS)

### 5.6 View on the system: Analysis (in-house)

**Analysis of auctions allotted**

Auction in period:  until

Auction:

  Bidding survey:

  List of bidders

  Decision list

  Auction result

  Accumulated allotment per bidder  total  Auction group  foreign central banks

  Detailed allotment per bidder  total  Auction group  foreign central banks

  Data of invitation to bid

  Global allotment

  Auction analysis over a specific period Date of:  until   
MFI-Number:

## 6 Annex

### Useful links:

[www.bundesbank.de](http://www.bundesbank.de)

[www.deutsche-finanzagentur.de](http://www.deutsche-finanzagentur.de)

[www.bundesfinanzministerium.de](http://www.bundesfinanzministerium.de)