



## NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

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Pursuant to Article 47 paragraph 1 item 6 and referring to Article 19 paragraph 1 item 1 of the Law on the National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 158/10 and 123/12), the National Bank of the Republic of Macedonia Council adopted the following

### **DECISION on CB bills**

#### **I. GENERAL PROVISIONS**

1. With this Decision, the National Bank of the Republic of Macedonia (hereinafter referred to as: the National Bank) shall set out the terms and the manner of issuance, trade and payment of central bank bills of the National Bank in Denars (hereinafter referred to as: CB bills).

2. The issuance of CB bills shall include initial sale of CB bills through CB bill auctions.

All banks and foreign banks' branch offices that have been granted a founding and operating license i.e. an opening and operating license issued by the Governor of the National Bank (hereinafter referred to as: banks) shall have the right to participate in CB bill auctions.

#### **II. AUCTIONS**

3. The Governor shall, in compliance with the monetary policy objectives and guidelines, and depending on the current financial market developments, decide on the type of tender for carrying out CB bills auctions: volume tender or interest rate tender.

4. In a volume tender, the interest rate shall be set and the amount of CB bills shall be either limited or unlimited.

Banks may bid only in amounts (CB bills par amount).

5. In an interest rate tender, the National Bank shall set the amount of CB bills and may determine the maximum interest rate (minimum price).

The banks shall bid in amounts (CB bills par amount) and prices (interest rates), rounded to 4 decimal digits of accuracy.

The price of 100 units of CB bills par value shall be calculated by the formula:

$$C = 100 * \frac{1}{1 + \frac{KS * D}{36000}}$$

where,

$C$  = price of 100 units of CB bills par value;  
 $KS$  = interest rate on annual basis (in %);  
 $D$  = number of maturity days.

A bank may submit multiple bids to participate in the auction, offering different price (interest rate)

6. The National Bank shall conduct regular auctions in accordance with a predetermined Calendar, which is published at least one month before the beginning of the current year on the National Bank's website.

Notwithstanding paragraph 1 of this Article, the National Bank may conduct an extraordinary auction. The National Bank shall inform participants about the timing of the extraordinary auction by telephone.

### **Prospectus**

7. The National Bank shall submit a prospectus to all banks, specifying the terms for participating in the auction, through the National Bank's Electronic System for market operations (hereinafter referred to as: Electronic System).

8. The prospectus shall contain:

- date of auction;
- time of auction and time of receiving bids for participation in the auction;
- type of tender for carrying out the auction;
- mark of the auction in the following format CBYYYY/NNN-DDD, where:
  - CB implies that they are Central Bank bills;
  - YYYY denotes the year of CB bills issuance;
  - NNN is the ordinal number of the auction; and
  - DDD denotes the number of days of the CB bills maturity.
- CB bills due date;
- amount of CB bills;
- price rounded to 4 decimal digits of accuracy, in the case of volume tender, or interest rate tender with determined minimum price; and
- the minimum amount of the individual bid and the amount of the rounding.

The Prospectus may also include:

- the maximum amount of the individual bid, as a percentage of the amount offered at the auction;
- the minimum difference among the individual prices of the bids of each bank.

### **Bids for Participating in Auctions**

9. Banks shall submit bids for participation in the auction through the Electronic System, using their own username and password. During the receipt of bids, the National Bank shall have no insight in the data the banks provide in their bids.

The submitted bids shall be irrevocable after the expiration of the deadline for receiving bids.

10. Bids that fail to meet the terms specified in this Decision shall be rejected.

### **Principles of Bid Allotment**

11. Depending on the type of tender, the bids shall be allotted according to certain principles.

In case of volume tender, when the total demand exceeds the supply, the bids shall be allotted proportionately to the bid amount (a principle of proportional allotment). When the amount of CB bills is unlimited, the banks' bids shall be accepted in full.

In case of interest rate tender, the bids shall be allotted by their bidding price (interest rate), starting from the highest price (the lowest interest rate) - principle of priority of the bidding price (interest rate). If several banks bid with the same lowest accepted price (interest rate), and the total demand exceeds the supply, the bids shall be allotted proportionately to the bid amount (a principle of proportional allotment).

The bids shall be allotted under the principle of proportional allotment using the following formula:

$$P = A*(V_2/V_1)$$

where,

P = accepted part of the bid of bank (of the bid at the lowest accepted price);

A = bid of the bank (bid of the bank at the lowest accepted price);

V<sub>1</sub> = total bid amount of all banks (total bid amount of banks at equal lowest accepted price);

V<sub>2</sub> = total amount accepted by the National Bank (total amount of bids at the lowest accepted price).

If, while applying the principle of proportional allotment, there is a need to increase the realized amount as a result of mathematical rounding of the realized amount, the realized amount may be increased relative to the offered amount.

### **Auction Results**

12. The auction results shall be communicated to banks through the Electronic System, and shall be published on the National Bank's website.

In the case of interest rate tender, the auction results shall contain data on the total realized amount, the weighted (average) price (interest rate) at the auction, as well as the minimum and the maximum price (interest rate) of the accepted bids.

The weighted (average) price shall be calculated using the following formula:

$$\text{Weighted price} = \frac{\sum_{i=1}^n C_i * P_i}{\sum_{i=1}^n P_i}$$

where,

C = price of accepted bid;

P = amount of accepted bid;

$n$  = number of accepted bids.

In case of volume tender, the auction results shall include data on the total realized amount.

13. Each bank shall have an access to its own auction results through the Electronic System.

The auction results shall contain accepted and/or unaccepted bids.

The accepted bids shall be implemented according to the offered terms and in compliance with the auction results.

14. In case of volume tender and limited amount of CB bills, when total demand for CB bills exceeds potential demand set by the National Bank, the banks whose demand exceeds potential demand at the bank level shall place funds in seven-day deposits with the National Bank in the amount of the difference.

The potential demand for CB bills shall be determined on the basis of:

- the level of bank accounts on the last day of the reserve requirement period,
- increased/decreased by the due amounts in National Bank's instruments on the day of the auction,
- increased/decreased by the amount of due claims/liabilities on the money market,
- reduced by the level of reserve requirement for the period of fulfillment, that begins on the day of the auction.

The National Bank shall inform the banks about the amounts they are required to place in seven-day deposits (through phone, fax, e-mail).

### **Payment and Registration of CB bills**

15. The banks shall pay the discounted amount of CB bills of the accepted bids on the National Bank's account, on the day of the auction.

The discounted amount shall be calculated by the following formula:

$$DI = \frac{NI * C}{100}$$

where,

$DI$  - discounted amount

$NI$  - par value

$C$  - price

16. Once the banks make the payment, the National Bank shall record the CB bills in the CB bills depository with the National Bank.

On banks' request, the National Bank shall issue certificate on CB bills ownership.

17. If the bank fails to pay-in the adequate amount of accepted bids at the auction, the National Bank shall not register the CB bills in the depository by the amount of unpaid funds and shall calculate a penalty interest on the amount payable by the bank.

The bank shall pay the penalty interest as defined in paragraph 1, the first working day after the date of the occurrence of the obligation.

The National Bank shall have the right to limit participation in the CB bills auction of a bank that failed to pay the appropriate amount of funds, in accordance with paragraph 1 of this item.

### **Disruption of the Auction Process**

18. The CB bills auction process may be disrupted in the event of:

- power supply interruption;
- failure of the communication equipment and servers;
- vis major.

In the event of any of the above risks, the CB bills auction shall be canceled. The National Bank shall additionally inform the banks on the date and the time of the next CB bills auction.

19. In the event of technical problems with the Electronic System, the banks shall be informed on the prospectus and the auction results by telephone, fax, etc. The banks shall submit the bids for participation in CB bills auction by e-mail, fax or by other type of written notification.

### **III. TRADE AND PAYMENT**

20. CB bills may be traded on the secondary market among banks.

CB bills shall be traded on the secondary market to the working day which precedes the CB bills due date, inclusive.

The Governor shall adopt Instructions for settling transactions with issued CB bills.

21. The National Bank shall make payment of the CB bills par value on their due date.

### **IV. CLOSING PROVISIONS**

22. Once this Decision enters into force, the Decision on issuance, trade and payment of central bank bills of the National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 42/11) shall become void.

23. This Decision shall enter into force on the date of publication in the Official Gazette of the Republic of Macedonia.

**D. No. 02-15/XIII-3/2013**  
**28 November, 2013**  
**Skopje**

**Dimitar Bogov**  
**Governor**  
**Chairman**  
**of the National Bank of the Republic**  
**of Macedonia Council**