



NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

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 North Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15, 6/16 and 83/18 and Official Gazette of the Republic of North Macedonia No. 110/21), the National Bank of the Republic of North Macedonia Council has adopted the following

DECISION on CB bills

I. GENERAL PROVISIONS

1. With this Decision, the National Bank of the Republic of North 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. CB bills are short-term securities, issued in a dematerialized form.

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

3. Banks, foreign banks' branch offices and savings houses that are required to fulfill reserve requirement with the National Bank (hereinafter referred to as: participants) shall have the right to participate in CB bill auctions.

II. AUCTIONS

4. The prospectus shall determine the type of tender for conducting the CB bills auctions: volume tender or interest rate tender.

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

In case of volume tender, the participants may bid only in amounts (CB bills par amount).

In case of volume tender and limited amount of CB bills, the National Bank can determine the maximum amount of bid by participant, according to the percentage share of participant's liabilities in Denars which are subject to reserve requirement in the total liabilities in Denars which are subject to reserve requirement, during the fulfillment period, within which the auction is conducted. The maximum amount of the participant's offer shall be equal to the amount obtained by applying the appropriate percentage share in the amount of CB bills as specified in the Prospectus. Before the auction, the National Bank shall inform the participants of the maximum amount of offer by e-mail.

If the participant submits an offer in an amount higher than the maximum amount of offer referred to in paragraph 3 of this item, the National Bank shall accept the offer only up to the determined maximum amount.

6. In an interest rate tender, the prospectus shall state the amount of CB bills and the maximum interest rate (minimum price) can be determined.

The participants 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:

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

where,

C = price of 100 units of CB bills par value;

KS = interest rate on annual basis (in %);

D = number of maturity days.

In the prospectus, the National Bank may limit the number of bids for participation in the auction.

7. The auctions shall be conducted on a regular basis for which the National Bank publishes an Indicative Calendar 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 or e-mail.

III. PROSPECTUS

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

9. 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; and
- price rounded to 4 decimal digits of accuracy in the case of volume tender, or interest rate tender with determined minimum price, in accordance with the defined interest rates.

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; and
- the maximum number of bids that participants can participate with in the auction.

The minimum amount for participation in the auction shall equal Denar 5,000,000. Each increase above the minimum amount shall be made by adding rounded amounts of Denar 1,000,000.

IV. BIDS FOR PARTICIPATING IN AUCTIONS

10. The participants shall submit bids for participation in the auction through the Electronic System, using their own username and password. At the time of receiving

the bids, the National Bank shall have no insight in the data indicated by the participants in their bids.

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

In case of technical problem on the side of the participants when using the Electronic System, the participant may participate in the auction by submitting bids to the National Bank by e-mail or fax, within 15 minutes after the end of the period envisaged for receiving bids.

11. The bids that fail to meet the terms specified in this Decision shall be rejected.

V. PRINCIPLES OF BID ALLOTMENT

12. 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 participants' 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 participants 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 participant (of the bid at the lowest accepted price);

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

V₁ = total bid amount of all participants (total bid amount of the participants at equal lowest accepted price);

V₂ = 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.

VI. AUCTION RESULTS

13. The auction results shall be communicated to the participants 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 the accepted bid;
 P = amount of the accepted bid;
 n = number of accepted bids.

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

14. Each participant shall have an access to the own auction result 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.

VII. PAYMENT AND REGISTRATION OF CB BILLS

15. The participants 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 reflect the price and the appropriate interest rate at which the participants purchase CB bills on the primary market.

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 participants make the payment, the National Bank shall record the CB bills in the CB bills depository with the National Bank.

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

17. If the participant 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 participant.

The participant shall pay the penalty interest as defined in paragraph 1 of this item within 8 days after the date of the occurrence of the obligation.

The National Bank shall limit the right of participation in the CB bills auction of a participant that failed to pay the appropriate amount of funds at the previous two consecutive auctions, in accordance with paragraph 1 of this item.

VIII. 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 participants on the date and the time of the next CB bills auction.

19. In event of technical problems with the National Bank in the utilization of the Electronic System, the participants shall be informed on the prospectus and the auction

results by telephone, fax, etc. The participants shall submit the bids for participation in CB bills auction by e-mail, fax or by other type of written notification.

IX. TRADE AND PAYMENT

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

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.

X. CLOSING PROVISIONS

22. Once this Decision enters into force, the Decision on CB bills (Official Gazette of the Republic of Macedonia No. 166/13, 30/15, 35/15 and 148/15) shall become void.

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

D No. 02-15/XXI-4/2022
30 November 2022
Skopje

Anita Angelovska Bezhoska
Governor and Chairperson
of the National Bank of the Republic of
North Macedonia Council