

Pursuant to paragraph (7), Article 18 of the Law on Public Debt ("Official Gazette of the Republic of Macedonia", nos. 62/05, 88/08, 35/11, 139/14 and "Official Gazette of the Republic of North Macedonia", nos. 98/19 and 151/21), Minister of Finance hereby adopts

## **Rulebook on the Manner and the Procedure for Issuance of Government Securities on the Domestic Financial Market and Government Securities Repayment**

### **I. GENERAL PROVISIONS**

#### **Article 1**

This Rulebook shall regulate the manner and the procedure for issuance of government securities on the domestic financial market and government securities repayment (hereinafter referred to as: government securities).

#### **Article 2**

Terms used in this Rulebook shall have the following meaning:

- 1. Government security** shall mean short- or long-term debt security, issued by the Republic of North Macedonia with the purpose of raising funds, and the issuer may assign it a specific designation.
- 2. Treasury bill** shall mean a debt security with a maturity period shorter than one calendar year from the day of issuance, which the Republic of North Macedonia issues to the end of raising funds.
- 3. Government bond** shall mean a debt security with a maturity period longer than one calendar year from the day of issuance, which the Republic of North Macedonia issues to the end of raising funds.
- 4. Issuer** shall mean the Republic of North Macedonia, represented by the Ministry of Finance.
- 5. Agent** shall mean the National Bank of the Republic of North Macedonia.
- 6. Authorized direct participant** shall mean a bank in the Republic of North Macedonia, which may purchase and issue government securities for its own account or for the account of the indirect participants, and which has concluded contract for participation in the primary government securities market.
- 7. Indirect participant** shall mean a legal entity or an individual purchasing government securities via an authorized direct participant.
- 8. Registry** shall mean the Central Securities Registry.
- 9. Electronic System** shall mean the Electronic System for Market Operations of the National Bank of the Republic of North Macedonia for conducting auctions of government securities.
- 10. Calendar** shall mean a pre-announced schedule of planned government securities auctions.
- 11. Auction** shall mean a technique of issuance of government securities, with authorized direct participants placing bids for purchasing government securities to the agent and their acceptance by the issuer.
- 12. Price** shall mean the purchase, i.e. the selling, price of government securities,

usually expressed in 100 units of government security.

- 13. Non-competitive offer** shall mean an offer for purchasing government securities, with only the amount auctioned, and the price equal to the weighted (average) price (interest rate) reached at the auction.
- 14. Limited participation rule** shall mean limitation on the auctioned amount for each individual participant in the auction (authorized direct participant or indirect participant) which may not exceed certain percentage of the amount offered in the Prospectus for Auction of Treasury Bills and/or the Prospectus for Auction of Government Bonds.
- 15. ISIN Code (ISIN - International Securities identification Number)** shall mean an international identification code assigned to the securities issued on the financial markets.
- 16. Business day** shall mean each business day on which the Macedonian Interbanking Payment System (MIPS) operates as prescribed by law.
- 17. Book of Government Securities Ownership** shall mean a book of data on the ownership status of government securities holders.

### Article 3

Government securities shall be issued denominated in domestic currency with or without foreign exchange clause, and shall be kept as electronic records in the Registry.

### Article 4

Treasury bills shall be issued and repaid at nominal value, and issued on the primary market at discounted value.

Government securities shall be issued and repaid at nominal value, issued on the primary market at price achieved at the auction, and shall bear semi-annual or annual coupon interest until maturity.

## **II. PRIMARY MARKET PARTICIPANTS**

### **1. Issuer of Government Securities**

#### Article 5

The issuer shall determine the amount of each issue of government securities, to be issued via auction.

Prior to each issue, the issuer shall decide whether the issue of government securities denominated in domestic currency shall be with or without foreign exchange clause.

When issuing government securities assigned a specific designation, the issuer shall decide whether the government securities issued on the primary market shall be offered to legal entities and/or individuals.

Authorized direct participants shall provide only for the entities/individuals indicated in the Prospectus to participate in the auction of government securities issued on the primary market.

When issuing government securities assigned a specific designation, the issuer shall provide an explanatory note about the government securities in a form of a footnote in the Prospectus published on its website.

In addition to the activities referred to in paragraphs 1, 2, 3 and 5 of this Article, the issuer shall also perform the following:

- prepare and publish the Calendar;
- maintain effective access to the Electronic System;
- define and announce Prospectus for each issue;
- set the coupon interest if government bonds are issued at pre-determined coupon;
- authorize and announce the auction results;
- verify the payment for the purchased government securities;
- provide authorization to the agent for registering the ownership of the government securities, acquired on the primary market;
- repay the due government securities;
- pay the government bonds coupons and
- monitor the trading with government securities on the secondary market.

The issuer shall inform the public, on its website, about the Calendar at the beginning of the period which it refers to.

The issuer shall inform the public, on its website, about each issue of government securities, as well as about the results thereof.

Market intermediaries shall notify both the issuer and the agent, on day-to-day basis, about the concluded transactions with government securities on and outside the institutionalized markets, using appropriate forms.

### **2. Agent for Issuance of Government Securities**

#### Article 6

The issuer and the agent shall jointly regulate the relations regarding the issuance of government securities.

#### Article 7

As regards issuance of government securities, the agent shall:

- establish, maintain and, upon request by the issuer, upgrade the Electronic System for conducting auctions;
- organize government securities auctions;
- gather data on the ownership of government securities from the authorized direct participants and
- submit data on both the issue (coupon interest rate and coupon payment dates) and the ownership of government securities to the Registry.

### **3. Authorized Direct Participants**

#### Article 8

Authorized direct participants, together with the issuer and the agent, shall jointly regulate the relations regarding the issuance of government securities.

#### Article 9

Authorized direct participants shall participate directly in the government securities auction.

#### Article 10

Authorized direct participants shall establish communication link with the Electronic System.

#### Article 11

Authorized direct participants shall perform the following activities:

- maintain an effective access to the Electronic System;
- inform the indirect participants about the terms and conditions of the respective issue;
- gather application forms from the indirect participants;
- place bids to the agent or the issuer, should it be pre-determined in the Prospectus. In this case, the bids shall be placed electronically;
- inform the indirect participants about the results of the government securities auction;
- submit both data on the indirect participants having accepted bids once the

auction is completed pursuant to Article 48, i.e. Article 49, of this Rulebook, as well as any other data jointly agreed upon;

- pay the amount of the purchased government securities to the issuer's account and
- provide a Debit Authorization to the agent.

#### **4. Indirect Participants**

##### **Article 12**

Indirect participant shall be a resident and/or a non-resident.

Indirect participants, together with the authorized direct participants, shall jointly regulate the relations regarding the government securities.

### **III. ISSUANCE OF GOVERNMENT SECURITIES**

##### **Article 13**

Issuance of government securities shall include initial issue of government securities by the issuer and their registration.

Initial issue shall be carried out via conducting auctions, and the raised funds shall be put at the disposal of the issuer.

Government securities issued for other purposes in support of the monetary policy, further specified and regulated by the issuer, shall be an exception from paragraph 2 of this Article.

Initial issue shall be deemed final once the government securities are registered in the Registry, on the holders' accounts.

## **1. Organizing**

### **Government**

### **Securities**

### **Auctions**

#### **Article 14**

The auctions shall be conducted via the Electronic System for conducting auctions, accessible only to the agent, the issuer and the authorized direct participants.

The issuer and the authorized direct participants shall be provided with “Technical Instruction on the Manner of Connecting to the Electronic System of the National Bank of the Republic of North Macedonia” regarding the manner of connecting with the primary and the backup location.

Access by the issuer and the authorized direct participants shall be monitored, whereby the monitoring shall comprise the following:

- the issuer and the authorized direct participants shall be connected to the system during the auctions pursuant to the Decision on Connecting to the IT System of the National Bank of the Republic of North Macedonia and
- the agent shall reject and record any attempt for unauthorized access to the Electronic System.

Method of using the Electronic System shall be described in details in the “Technical Instructions for the Agent on Operations with Government Securities via the Electronic System of the National Bank of the Republic of North Macedonia”, the “Technical Instructions for the Issuer on Operations with Government Securities via the Electronic System of the National Bank of the Republic of North Macedonia”, and the “Technical Instructions for the Authorized Direct Participant on Operations with Government Securities via the Electronic System of the National Bank of the Republic of North Macedonia”.

### **1.1 Prospectus for Auction of Government Securities**

#### **Article 15**

Auctions of government securities shall be conducted on the dates set in the Calendar.

#### **Article 16**

Issuer of government securities, when conducting the auctions, may choose between the following:

- price tender [multiple price auction (American type) and single price auction (Dutch type)] or
- volume tender.

#### **Article 17**

Issuer shall define two types of prospectuses: Prospectus for Auction of Treasury Bills and Prospectus for Auction of Government Bonds.

Issuer shall, by 2 p.m. on the business day, and not later than 4 business days prior to the auction day, define the Prospectus for Auction of Treasury Bills and/or the Prospectus

for Auction of Government Bonds and submit it to the agent via the Electronic System.

Agent shall, at 2:30 p.m. the same day, forward the prospectuses referred to in paragraph 2 of this Article to all authorized direct participants via the Electronic System.

#### Article 18

Prospectus for Auction of Treasury Bills shall include the following terms and conditions for participation in the auction:

- auction date;
- time of the auction and time of placing the bids for participation in the auction;
- type of tender for conducting the auction;
- auction marking in one of the following formats DZYYYY/N-D or DZYYYY/N-Ddk, whereby:
  - abbreviation DZ stands for treasury bills;
  - numbers YYYYY stand for the year in which the treasury bills are issued;
  - N stands for the reference number of the auction held in the current year;
  - D stands for the maturity period (in days) of treasury bills;
  - abbreviation dk in the DZYYYY/N-Ddk format stands for treasury bills, denominated in domestic currency with a foreign exchange clause;
- ISIN code of the treasury bill;
- nominal amount of treasury bills, offered for issuance at the auction;
- with or without a foreign exchange clause;
- deadline for payment of treasury bills, in business days;
- date of payment of treasury bills;
- issuer's account for the purpose of payment of treasury bills;
- maturity period (in days) of treasury bills;
- maturity date of treasury bills;
- price, i.e. interest rate, at which treasury bills are offered at volume tender;
- speculative percentage point or minimum price, i.e. maximum interest rate;
- percentage of the nominal amount of treasury bills to be distributed to non-competitive bids, in case the issuer decides to approve issuance of treasury bills under non-competitive terms and conditions;
- information on the method of registering treasury bills pursuant to Article 48, i.e. Article 49, of this Rulebook;
- time of placing the bids which the authorized direct participants gather on behalf of the indirect participants prior to holding the auction of treasury bills assigned a specific designation;
- type of entities which can acquire treasury bills, assigned a specific designation, on

the primary market;

- information on the rights arising from and pertaining to treasury bills assigned a specific designation and
- information on the possibility for call options of the treasury bills.

Prospectus for Auction of Government Bonds shall include the following terms and conditions for participation in the auction:

- auction date;
- time of the auction and time of placing the bids for participation in the auction;
- type of tender for conducting the auction;
- auction marking in one of the following formats DOYYYY/N-MMGG or DOYYYY/N-MMGGdk, whereby:
  - abbreviation DO stands for government bonds;
  - numbers YYYY stand for the year in which the government bonds are issued;
  - N stands for the reference number of the auction held in the current year;
  - MMGG stands for the maturity period (month and year) of government bonds;
  - abbreviation dk in the DOYYYY/N-MMGGdk format stands for government bonds, denominated in domestic currency with a foreign exchange clause;
- ISIN code of the government bond;
- nominal amount of government bonds, offered for issuance at the auction;
- with or without a foreign exchange clause;
- coupon interest rate;
- number of coupons per year;
- maturity dates and coupon payment dates;
- deadline for payment of government bonds, in business days;
- government bonds payment date;
- issuer's account for the purpose of payment of government bonds;
- number of years of government bonds maturity;
- government bonds maturity and repayment date;
- interest rate at which government bonds are offered at volume tender;
- speculative percentage point or minimum price, i.e. maximum interest rate;
- percentage of the nominal amount of the government bonds to be distributed to non-competitive bids, in case the issuer decides to approve issuance of government bonds under non-competitive terms and conditions;
- information on the method of registering government bonds pursuant to Article 48, i.e. Article 49, of this Rulebook;
- time of placing bids which the authorized direct participants gather on behalf of the



indirect participants prior to holding the auction of government bonds assigned a specific designation;

- type of entities which can acquire government bonds, assigned a specific designation, on the primary market;
- information on the rights arising from and pertaining to government bonds assigned a specific designation and
- information on the possibility for call options of the treasury bills.

#### Article 19

Authorized direct participants shall inform the indirect participants on the upcoming issue of government securities via direct contact, by telephone, in writing, or announcing it on the web site.

### 1.2 Bids Placed at Government Securities Auctions

#### Article 20

Authorized direct participants shall place their bids for purchasing government securities at the auctions via the Electronic System.

Notwithstanding paragraph 1 of this Article, when government securities assigned a specific designation are issued, authorized direct participants shall place the bids to the agent via the Electronic System, with bids placed electronically to the issuer in the form of a summary report. In addition to the information submitted to the agent, the summary report shall also include unique identification number (ID number) for each indirect participant linking the bids for purchasing government securities with the indirect participants and the distributed amounts set by the issuer.

Authorized direct participants may place bids at the government securities auctions on their behalf and for their account or on their behalf and for the account of the indirect participants.

#### Article 21

Authorized direct participants shall gather application forms from the indirect participants.

Authorized direct participants shall keep electronic records of the received application forms.

Upon written request by the issuer or the agent, authorized direct participants shall submit the records referred to in paragraph 2 of this Article.

#### Article 22

Bids for participation in the auctions shall be placed to the agent via the Electronic System at the time for placing the bids for participation in the auction, set in the Prospectus for Auction of Treasury Bills and/or the Prospectus for Auction of Government Securities.

When an individual authorized direct participant cannot place the bid/bids to the agent via the Electronic System within the deadline defined in the Prospectus for Auction of

Treasury Bills and/or the Prospectus for Auction of Government Bonds due to technical reasons, such bid/bids shall be placed to the issuer electronically, by e-mail or fax within 15 minutes following the expiry of the deadline for placing the bids for participation in the auction, upon prior notification by phone to the Public Debt Management Department within the Ministry of Finance.

The document with the bid/bids placed by fax shall contain the following information:

1. letterhead of the authorized direct participant;
2. information whether the bid is placed on own behalf and for own account or for the account of the indirect participant;
3. marking of the government securities auction;
4. ISIN code of the security;
5. bidden amount;
6. price (interest rate) bidden and
7. signature of the authorized person and seal of the institution.

#### Article 23

Each authorized direct participant may place unlimited number of bids to the agent for the purpose of purchasing government securities at the auctions.

Separate bid shall be placed for each indirect participant. Should an indirect participant indicate several different prices in the application form, separate bid shall be placed for each respective price.

#### Article 24

If purchasing treasury bills, the authorized direct participant shall enter the following elements from the bid in the Electronic System, upon prior designation for the account of which the purchase is made:

- amount in Denars and
- price with precisely four decimals for 100 units nominal value at price tender.

$$P = 100 * \frac{1}{1 + \frac{R * n}{36,000}}$$

Price formula shall be as follows:

P = price

R = annual interest rate (%)

n = maturity (number of days).

When calculating the price of the treasury bills, the actual/360 standard shall apply, i.e. the actual number of days in the month/360 days in the year.

If purchasing government bonds, the authorized direct participant shall enter the following elements from the bid in the Electronic System, upon prior designation for the account of which the purchase is made:

- amount in Denars and

- price with precisely 0.005 percentage points for 100 units nominal value at price tender.

Formula for the clean price of a government bond, which bears semi-annual or annual coupon interest, shall be as follows:

$$P = \sum_{k=1}^n \frac{\frac{c}{t}}{\left(1 + \frac{R}{t}\right)^{\left(k-1 + \frac{a}{e}\right)}} + \frac{N}{\left(1 + \frac{R}{t}\right)^{\left(n-1 + \frac{a}{e}\right)}} - \left(\frac{c}{t} \times \frac{A}{e}\right)$$

Clean price shall mean the gross price reduced by the accrued interest, which accrues due to discrepancy between the beginning of the coupon period and the payment of the government bonds. Gross and clean price on the primary market, in case of initial auction, shall be identical.

P = price

N = 100 units nominal value

R = annual rate of return (%)

t = number of coupons per year

A = number of days from the beginning of the coupon period to the government bond payment date, if the beginning of the coupon period and the payment of the bonds are not on the same date

a = number of days from the payment of the government bond to the succeeding coupon

n = number of whole coupons from payment to maturity

e = number of days in the coupon period in which the payment is made

c = annual coupon interest (%)

k = reference number of the coupons.

In case of re-opening the held auction of undue government securities, following gross price formula<sup>n</sup> shall apply:

$$P = \sum_{k=1}^n \frac{\frac{c}{t}}{\left(1 + \frac{R}{t}\right)^{\left(k-1 + \frac{a}{e}\right)}} + \frac{N}{\left(1 + \frac{R}{t}\right)^{\left(n-1 + \frac{a}{e}\right)}}$$

P = price

N = 100 units nominal value

R = annual rate of return (%)

t = number of coupons per year

a = number of days from the settlement to the succeeding coupon

n = number of whole coupons from settlement to maturity

e = number of days in the coupon period in which the settlement is made

c = annual coupon interest (%)

k = reference number of the coupons.

Gross price calculated when re-opening a held auction of undue government securities shall include the accrued interest from the beginning of the coupon period in which the auction was re-opened to the payment date of the government bonds purchased at the re-opened auction.

The coupon shall be equal for all accounting periods until the government bonds fall due and shall be calculated according to the following formula:

$$C = N \times \frac{c}{t}$$

In case when the period for which the coupon interest is paid differs from the standard period for calculating the coupon, following formula shall apply:

$$C = N \times \frac{c}{t} \times \frac{A}{e}$$

C = coupon in absolute amount

N = principal

c = annual coupon interest (%)

t = number of coupons per year

A = number of days from the beginning of the coupon period to the settlement date

e = number of days in the coupon period in which the settlement is made.

When calculating the price of the government bonds and the coupon, the actual/actual standard shall apply, i.e. actual number of days in the month/actual number of days in the year.

## Article 25

Authorized direct participant may revoke or change the bid only during the deadline for placing the bids for participation in the auction, as set in the Prospectus for Auction of Treasury Bills and/or the Prospectus for Auction of Government Securities.

Placed bids shall be irrevocable upon the expiry of the prescribed deadline referred to in paragraph 1 of this Article.

## Article 26

During the deadline for placing bids for participation in the auction, as set in the Prospectus for Auction of Treasury Bills and/or the Prospectus for Auction of Government Securities, both the agent and the issuer may have no insight in the data contained in the bids.

The agent and the issuer shall hold the terms and the conditions bidden by the participants in the auctions confidential.

Authorized direct participants may have no insight in the bids of the other authorized direct participants.

Authorized direct participants shall hold the terms and the conditions bidden by the indirect participants confidential.

### **1.3 Results of Government Securities Auction**

#### **Article 27**

Following the expiry of the deadline for placement of bids, the Electronic System, using a program, shall arrange the bids in a descending order, starting with the one with the highest price down to the one with the lowest price, and shall accordingly make distribution as per the set principles.

#### **Article 28**

In case of a multiple price tender, government securities shall be distributed on the basis of prices-interest rates criteria from the accepted bids placed by the participants.

Should it be the case for more participants to bid same price-interest rate, and the total demand to exceed the issuer's offer, the bids with the lowest accepted price shall be distributed proportionally to the total bidden amount from all bids for purchasing government securities at the lowest acceptable price in accordance with the proportional distribution principle, stipulated in Article 32 of this Rulebook.

#### **Article 29**

In case of a single price tender, government securities shall be distributed on the basis of the lowest price-highest interest rate from the accepted bids placed by the participants.

Should it be the case for more participants to bid same price-interest rate, and the total demand to exceed the issuer's offer, the bids with the lowest accepted price shall be distributed proportionally to the total bidden amount from all bids for purchasing government securities at the lowest acceptable price in accordance with the proportional distribution principle, stipulated in Article 32 of this Rulebook.

#### **Article 30**

In case of a volume tender, when the total demand exceeds the offer, the bids shall be distributed proportionally to the auctioned amount for purchasing government securities in accordance with the proportional distribution principle, stipulated in Article 32 of this Rulebook.

#### **Article 31**

In case when the percentage of the nominal amount of the offered government bonds to be distributed to the non-competitive bids is specified, if the amount of the non-competitive bids exceeds the amount set for distribution, non-competitive bids shall be distributed according to the proportional distribution principle, stipulated in Article 32 of this Rulebook.

In case when the non-competitive bids exceed the amount of non-competitive offers set in the Prospectus, and the competitive bids are lower than the amount of competitive offers set in the Prospectus, accepted amount of the non-competitive bids shall be increased so as for the total accepted amount (competitive and non-competitive bids) not to exceed the total offered amount.

In case when the non-competitive bids are lower than the amount of non-competitive

offers set in the Prospectus, and the competitive bids exceed the amount of competitive offers set in the Prospectus, accepted amount of the competitive bids shall be increased so as for the overall accepted amount (competitive and non-competitive bids) not to exceed the total offered amount.

#### Article 32

Formula for calculating the proportional distribution shall be as follows:

$$Ap = A * (V2 / V1)$$

Ap = accepted part of the authorized direct participant's bid;

A = amount bidden by the authorized direct participant;

V1 = total amount bidden (all bids) and

V2 = total amount the issuer will accept from all bids.

Should, when the proportional distribution takes place, a need arise to increase the accepted amount as a result of mathematically rounding up the distributed amounts to Denar 10,000, the issuer may increase the accepted amount in relation to the offered one.

In case of a volume tender, as a result of mathematical roundup, random choice method or time priority method of the bid placed by the participant may be applied.

When issuing government securities assigned a specific designation, the issuer shall inform the agent and the authorized direct participants, in the course of the same business day or not later than 12 a.m. the next business day, on the method applied to distribute the offered amount.

#### Article 33

The issuer may reject the authorized direct participants' bids considered to be speculative bids.

Speculative bid shall mean a bid the price of which is lower than the average price for the speculative percentage point, published in the Prospectus for Auction of Treasury Bills and/or the Prospectus for Auction of Government Bonds.

Average price referred to in paragraph 2 shall be calculated as a weighted value of the bids with the lowest price, comprising half of the value of all bids placed at the auction.

#### Article 34

The issuer may issue the same or any lower or higher amount of government securities than the one set in the Prospectus at the individual auctions of government securities.

At the end of the fiscal year, amount of net borrowing by issuing government securities shall not exceed the maximum amount of net borrowing by issuing government securities set under the Decision of the Government of the Republic of North Macedonia.

The issuer may issue the same amount of government securities or any lower amount of government securities than the one placed in any individual bid.

#### Article 35

In the period following the expiry of the deadline for placement of bids for participation in the auction up to the expiry of the deadline for holding the auction, as set in the Prospectus for Auction of Treasury Bills and/or the Prospectus for Auction of Government Bonds, the issuer shall access the Electronic System and authorize the results of the government securities auction, also informing the agent thereof.

#### Article 36

Results of the auction shall contain both the accepted and/or the non-accepted bids.

Accepted bids shall be approved according to the bidden terms and conditions in accordance with the results of the auction.

All non-accepted bids at the auction shall bear no consequences for the issuer.

#### Article 37

Once the issuer authorizes the results of the government securities auction, the agent shall announce the respective results via the Electronic System.

Each authorized direct participant shall have access, via the Electronic System, to their results of the auction, containing the following:

- amount of the accepted bids and prices upon which the accepted bids are approved and
- amount of non-accepted bids and their prices.

#### Article 38

When issuing government securities assigned a specific designation, the issuer shall inform the authorized direct participants, in the course of the same business day or not later than 12 a.m. the next business day, on the accepted bids, in addition to the results accessible on the Electronic System.

#### Article 39

All authorized direct participants shall have access, via the Electronic System, to the overall results of the auctions.

Notwithstanding paragraph 1 of this Article, in case of issuance of government securities assigned a specific designation, authorized direct participants shall be provided with information about the results of the auction and the amounts distributed to the indirect participants on the basis of summary reports exchanged electronically, with the bids and the distribution being linked via the unique identification number (ID number) as per paragraph 2, Article 20 of this Rulebook.

#### Article 40

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

Weighted (average) price (interest rate) shall be calculated by applying the following formula:

$$\frac{\sum_{i=1}^n P_i * A_i}{\sum_{i=1}^n A_i}$$

Weighted price (interest rate) formula =

P = price (interest rate) of accepted bid

A = nominal amount of accepted bid

n = number of bids.

#### Article 41

In case of a single price tender, overall results of the auction shall contain data on the total offer, the demand and the accepted amount, the weighted (average) price (interest rate) at the auction, the maximum price (minimum interest rate), as well as the minimum price (maximum interest rate), at which all accepted bids are approved.

#### Article 42

In case of volume tender, overall results of the auction shall contain data on the total offer, the demand and the accepted amount.

#### Article 43

Upon receiving the results of the government securities auction via the Electronic System, authorized direct participants shall inform the indirect participants, by the end of the business day, on the individual and the overall results of the government securities auction, as prescribed.

Notwithstanding paragraph 1 of this Article, in case of an auction for issuance of government securities with a specific designation for which the authorized direct participants are to apply Article 49 of this Rulebook as set by the issuer in the Prospectus, they may inform the indirect participants on the individual and/or the overall results of the government securities auction the next day following the day of receiving the results via the Electronic System and/or on the basis of summary reports exchanged electronically with the issuer/the agent pursuant to paragraph 2, Article 39 of this Rulebook.

### **1.4 Re-Opening of Government Securities Auctions**

#### Article 44

The issuer may re-open already held auctions of outstanding government securities, informing the agent thereof.

Re-opening of already held auctions shall include the same terms and conditions as the initial auction.

The issuer and the agent shall inform, as prescribed, the authorized direct participants and the indirect participant about the time of the auction re-opening.



## **1.5 Extraordinary Auctions of Government Securities**

### **Article 45**

The issuer may conduct extraordinary auctions of government securities, informing the agent thereof. Extraordinary auction shall include the same terms and conditions as the regular auction, the difference being that the participants are not informed beforehand via the Calendar about the auction date.

The issuer and the agent shall inform, as prescribed, the authorized direct participants and the indirect participant about the time of the extraordinary auction.

## **1.6 Monitoring the Government Securities Auction**

### **Article 46**

The issuer shall monitor the government securities auctions. Monitoring of the auction shall include:

- applying the “limited participation rule” for certain auctions;
- applying minimum price-maximum interest rate rule;
- unauthorized access to the Electronic System database;
- non-market behaviour of the participants in the auction and possible exclusion from the auctions;
- possible technical problems and entry of bids in the Electronic System and
- disruption of the auction as a result of the participants having reached prior agreement on the prices.

If applied, “limited participation rule” referred to in paragraph 2 of this Article shall be published in the Prospectus for Auction of Treasury Bills and/or the Prospectus for Auction of Government Bonds.

In case of applying the “limited participation rule”, each individual indirect participant may participate in the auction of government securities only via a single authorized direct participant.

If applied, minimum price - maximum interest rate rule referred to in paragraph 2 of this Article, rather than the speculative percentage point, shall be published in the Prospectus for Auction of Treasury Bills and/or the Prospectus for Auction of Government Bonds.

### **Article 47**

Should additional time for decision making be needed, the issuer shall inform the agent on the change of the timetable for the auction process.

## **2. Registration of Government Securities**

### **Article 48**

Data on accepted bids of government securities placed by the authorized direct participants, on their behalf and for their account, shall be automatically entered in the Electronic System and shall not be entered additionally.

Authorized direct participants shall, by the end of the auction date, enter the data on the indirect participants with accepted bids in the Electronic System, for each security with corresponding ISIN code. Such data shall contain:

- company registration number of the legal entity, i.e. personal registration number (passport number for non-residents) of the individual, holder of government security;
- company name (legal entity) and name and surname (individual);
- citizenship;
- address;
- head office (legal entity) or place of residence (individual);
- country;
- 15-digit bank account in the Republic of North Macedonia;
- nominal amount of the assigned government securities and
- price (at multiple price tender).

Should the authorized direct participants fail to enter data on the indirect participants with accepted bids by the end of the auction date, government securities shall be transferred to the authorized direct participants, which shall pay the amount of the transferred government securities.

Paragraph 3 of this Article shall not apply in case of technical problems with the Electronic System, in which case the authorized direct participant can enter data on the indirect participants with accepted bids by not later than 9 a.m. on the day following the auction date.

Should the holder of government securities decide to change the initially specified bank account which nominal value of treasury bills should be paid/repaid in, i.e. nominal value and/or coupon interest on government bonds, they shall inform the Registry, in writing, not later than 2 business days prior to the maturity date.

#### Article 49

Notwithstanding Article 48 of this Rulebook, when government securities assigned a specific designation are issued, authorized direct participants shall submit, electronically, to the issuer, not later than 2 p.m. on the business day following the day on which auction results are announced, data on accepted bids for government securities entered in the Electronic System, for their account and on their behalf, as well as data on indirect participants with accepted bids, entered in the Electronic System and/or submitted in a form of summary reports exchanged electronically with the issuer and the agent for each security with corresponding ISIN code. Such data shall contain:

- company registration number of the legal entity, i.e. personal registration number (passport number for non-residents) of the individual, holder of government security;
- company name (legal entity) and name and surname (individual);
- citizenship;
- address;
- head office (legal entity) or place of residence (individual);

- country;
- 15-digit bank account in the Republic of North Macedonia;
- nominal amount of the assigned government securities and
- price (at multiple price tender).

#### Article 50

Authorized direct participants shall, on the business day following the day of treasury bills auction (T+1), pay the value of the purchased treasury bills on the issuer's account not later than 12:00 a.m..

Authorized direct participants shall, two business days following the day of government bonds auction (T+2), pay the value of the purchased government bonds on the issuer's account not later than 12:00 a.m..

The amount paid for the purchased government securities for own and for the account of third parties shall be paid with 2 payment orders respectively.

Formula for the amount paid shall be as follows:

$$I = P * A$$

I = amount paid

P = price of accepted bid

A = nominal amount of accepted bid.

#### Article 51

Notwithstanding Article 50 of this Rulebook, when government securities assigned a specific designation are issued, the issuer may define additional number of days for payment of treasury bills and government bonds, which shall be also indicated in the Prospectus.

#### Article 52

The issuer shall verify the paid amounts for the issued government securities.

Should, following the expiry of the deadline referred to in paragraphs 1 and 2, Article 50, and Article 51 of this Rulebook, the payment not be executed, the agent, upon order by the issuer, shall debit the payment account of the authorized direct participant against the amount not paid, pursuant to the Automatic Debit Authorization given by the authorized direct participant to the agent as Form no. 4 under the Macedonian Interbank Payment System Operation Rules.

Should the authorized direct participant make payment in excess of the amount to be paid, the issuer shall refund the excess of the paid amount by 1:00 p.m. at the latest.

#### Article 53

The issuer shall, by 1:00 p.m. on the payment date, authorize, via the Electronic System, the agent to submit data on the owners of the paid government securities to the Registry.

#### Article 54

The agent shall electronically submit the data on the owners of the assigned government securities to the Registry by 2:00 p.m. on the payment date.

#### Article 55

Notwithstanding Articles 53 and 54 of this Rulebook, when government securities assigned a specific designation are issued, the issuer shall electronically submit the data referred to in Article 49 of this Rulebook, provided by the authorized direct participants as a summary report, to the Registry the same business day.

#### Article 56

Government securities shall be deemed issued when registered on the holders' accounts in the Registry.

Government securities denominated in domestic currency, with or without foreign exchange clause, registered on the holders' accounts shall be kept in Denars.

Notification submitted to the holders of government securities with foreign exchange clause shall include the nominal amount of the government securities in Denars, as well as the middle exchange rate of the respective foreign currency of the National Bank of the Republic of North Macedonia valid on the auction date.

Government securities holders may trade the government securities on the secondary market not later than two days prior to the maturity date, indicated in the Prospectus.

The Registry shall record any change in ownership of government securities in the Book of Government Securities Ownership.

### **IV. REPAYMENT OF GOVERNMENT SECURITIES**

#### Article 57

Government securities shall fall due on the day prescribed in the Prospectus for Auction of Treasury Bills and/or the Prospectus for Auction of Government Bonds.

#### Article 58

The Registry shall submit the Book of Government Securities Ownership/data on coupon payment to the agent and/or the issuer electronically or via any other media, as follows: one business day prior to the date of maturity of the nominal amount/the coupon of government securities immediately once the transactions with the Macedonian Stock Exchange are settled.

Notwithstanding paragraph 1 of this Article, should the date of maturity of the nominal amount/the coupon of government securities be a non-business day, data shall be submitted on the immediately succeeding business day.

#### Article 59

The issuer shall, on the maturity date, pay/repay the coupon and/or the nominal

value of the due government securities to the banks for the account of the holders, registered in the Registry, one business day prior to the maturity date.

Payment/Repayment of the coupon and/or the nominal value of the due government securities denominated in domestic currency with foreign exchange clause shall be made on the maturity date in Denar equivalent by applying the middle exchange rate of the respective foreign currency of the National Bank of the Republic of North Macedonia, valid one business day prior to the payment/repayment date.

Repayment of nominal value of due government securities with foreign exchange clause shall be executed according to the following formula:

$$I = \frac{n * 10.000 * dk_1}{dk}$$

I = amount for principal repayment,

n = number of government securities,

dk = exchange rate of the foreign currency valid on the auction date and

dk<sub>1</sub> = exchange rate of the foreign currency valid one business day prior to the payment date.

Payment of the coupon of government bonds with foreign exchange clause shall be executed according to the following formula:

$$C = \left[ \frac{N * \frac{c}{t}}{dk} \right] * dk_1$$

As regards payment of the coupon of government bonds with foreign exchange clause in case when the period for which the coupon interest is paid differs from the standard period for calculation of the coupon, the following formula shall apply:

$$C = \frac{\left( N * \frac{c}{t} * \frac{A}{e} \right) * dk_1}{dk}$$

N = principal

c = annual coupon interest (%)

t = number of coupons per year

A = number of days from the beginning of the coupon period to the settlement date

e = number of days in the coupon period in which the settlement is made

dk = exchange rate of the foreign currency valid on the auction date and

dk<sub>1</sub> = exchange rate of the foreign currency valid one business day prior to the payment date.

Nominal amount of government securities shall be repaid to the banks on the maturity date by 10:00 a.m., and the banks shall make the funds available to the government securities holder by 11:00 a.m. the very same day.

Due coupon on government securities shall be paid to the banks on the maturity

date by 1:00 p.m., and the banks shall make the funds available to the government securities holder by 2:00 p.m. the very same day.

In case of default as a result of incorrectly specified account or account not specified by the authorized direct participant at the Registry, the issuer shall execute the payment only upon obtaining the proper account.

#### Article 60

In case of initiated bankruptcy procedure, liquidation procedure, as well as limitation of part or all of the banking operations at the bank, through which the payment should be executed, the issuer shall transfer the funds for payment of due coupons and/or repayment of the nominal amount of government securities to be paid/repaid via other bank.

In the cases referred to in paragraph 1 of this Article, government securities holder shall be obliged, not later than two business days prior to the maturity date of the coupon and/or the nominal amount of the government securities, to inform the Registry about the bank account at the other bank to which the issuer shall make the respective payment/repayment.

### **V. LISTING OF GOVERNMENT BONDS**

#### Article 61

Issued government bonds shall be listed on both the Macedonian Stock Exchange, in accordance with the regulations on listing, and other financial markets.

### **VI. CANCELLATION OF AUCTIONS AND DEFERRAL OF REPAYMENT OF DUE LIABILITIES ON THE BASIS OF GOVERNMENT SECURITIES**

#### Article 62

Auctions may be cancelled and repayment of due liabilities on the basis of government securities may be deferred on the basis of the following:

- power outage;
- dysfunctioning of communication equipment and servers and
- force majeure (vis major) and other extraordinary circumstances.

When any of the risks referred to in paragraph 1 occurs, government securities auction shall be cancelled. The issuer shall also inform the authorized direct participants, through the agent, about the date and the time of the next government securities auction.

When any of the risks referred to in paragraph 1 of this Article occurs, repayment of government securities shall be postponed temporarily. The issuer shall also inform the authorized direct participants about the payment date and time.

### **VII. FINAL PROVISIONS**

#### Article 63

The day this Rulebook enters into force, the Rulebook on the Manner and the Procedure for Government Securities Issuance and Repayment ("Official Gazette of the

Republic of Macedonia”, nos. 99/05, 35/07, 132/07, 68/09 and 131/09) shall cease to be valid.

#### Article 64

This Rulebook shall enter into force on the day it is published in the “Official Gazette of the Republic of North Macedonia”.

No. \_\_\_\_\_

Minister of Finance,  
Fatmir Besimi, Ph.D.

Skopje