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Pursuant to Article 44g, paragraph 4 of the Law on Securities ("Official Gazette of Montenegro," No. 59/00, 43/05 and 28/06, and the "Official Gazette of Montenegro*," No. 6/13), and in conjunction with Article 15 paragraphs 2 and 3 of the Law on Budget and Fiscal Responsibility ("Official Gazette of Montenegro*," No. 20/14), the Ministry of Finance hereby issues these

**GUIDELINES
ON THE PROCEDURE FOR ISSUANCE AND MEANS OF
SELLING TREASURY BILLS**

I. GENERAL PROVISIONS

Article 1

These guidelines prescribe the procedure for issuance and the means of selling treasury bills that are issued by Montenegro as short-term debt securities (hereinafter referred to as: "T-bills") in order to finance the budget cash deficit and to ensure liquidity in the manner determined by the Law on Budget and Fiscal Responsibility.

Article 2

T-bills are registered with the Central Depository Agency. In the process of registering, the Central Agency Depository assigns a unique international identification code (hereinafter: the "ISIN number").

II. ISSUANCE OF T-BILLS

Article 3

Decisions on the issuance of T-bills for a finance budget cash deficit are made by the Government of Montenegro, at the behest of the Ministry of Finance, as per the law on the annual budget.

Decisions on the issuance of T-bills for the provision of liquidity are made by the Finance Ministry, as per the regulations governing borrowing and issuing guarantees.

Article 4

A Decision on the issue of T-bills shall specifically include:

- 1) the name and address of the issuer;
- 2) the number of the issuance of T- bills;
- 3) the date of the decision on the issuance of T-bills;
- 4) the total nominal value of the issued T- bills;
- 5) the number of T-bills being issued;
- 6) the nominal value of each T-bill;
- 7) the maturity of the T-Bills;
- 8) the method of auction, namely: the single discount rate method or the method of multiple discount rates;
- 9) the date and time of the auction;
- 10) the stipulation that during the auction the Ministry of Finance may decide to sell a greater number of T-bills then the number issued, or a stipulation that it is not permissible to sell a greater number of T-bills then the number issued (in cases where the T-bills are issued for the purpose of providing liquidity);
- 11) the possibility of early redemption of T- bills,
- 12) if such an option is offered;
- 13) the name and residence of the person authorised to implement the issuance of T-bills.

III. METHOD OF SALE OF T-BILLS

1. Primary sale of T-bills

Article 5

Treasury bills are primarily sold as discount securities via auctions.

The auction of T-bills shall carried out by applying:

- 1) The method of the single discount rate, or
- 2) the method of multiple discount rates.

If a T-bill auction is conducted through use of a single discount rate, in the acceptance procedure the Ministry of Finance shall determine the highest accepted discount rate that will represent a single discount rate at which all bids are to be accepted.

If a T-bill auction is conducted through use of multiple discount rates, in the acceptance procedure the Ministry of Finance shall determine the highest accepted discount rate that will represent the highest discount rate up to which bids will be accepted.

The type of method by which the auction is to be conducted shall be determined by the decision on issuance of T-bills.

The auction of T-bills may be performed using a combination of methods of single and multiple discount rates (hereinafter referred to as: the "combined method").

In the event of the combined method being used, the auction procedure is to be carried out as per these instructions, provided the manner of ranking the offers is determined by the decision on issuance of T-bills and is to be published in the public invitation for participation in the auction of said T-bills.

Article 6

A T-bills auction is organized and conducted by the Central Bank of Montenegro (hereinafter: the "Central Bank"), in the name and on behalf of the Ministry of Finance.

A T-bills auction is conducted by the Central Bank through the Auction platform of the Central Bank (hereinafter: the "auction platform").

The auction platform forms an integral part of the information system of the Central Bank, which provides support for the primary sale of T-bills through electronic access and direct participation in the auctioning of T-bills.

Electronic access and direct participation in the auction of T-bills is to be realised in accordance with the regulations governing electronic documents, electronic signatures, electronic commerce and information security, as well as the application of general acts of the Central Bank governing these issues.

The Central Bank publishes on its website user instructions for electronic access and direct participation in the auctioning of T-bills.

Article 7

The Ministry of Finance submits to the Central Bank a notice of the need for organization and conducting of a T-bills auction.

With the notification referred to under paragraph 1 of this Article, the following is also to be submitted to the Central Bank:

- 1) the decision to issue T-bills, and
- 2) further information needed for holding a T-bills auction.

A T-bills auction may be held no earlier than three business days after the date of receipt of the notification, decisions and information under paragraphs 1 and 2 of this Article.

The auction of T-bills is to be attended by a representative of the Ministry of Finance.

Article 8

The Central Bank announces a public invitation for participation in the auction of T-bills at least two working days prior to said auction.

The Central Bank is to publish a Public Invitation for participation in a T-bills auction in at least one printed daily newspaper having distribution throughout the territory of Montenegro and on the website of the Central Bank.

The public invitation for participation in a T-bills auction shall specifically contain:

- 1) The name of the issuer;
- 2) the number of the issuance of T- bills;;
- 3) the date of the decision on the issuance of T-bills;
- 4) the total nominal value of the issued T- bills;
- 5) the number of T-bills being issued;
- 6) The ISIN number of the T-bills being issued;
- 7) the nominal value of each T-bill;
- 8) the maturity date of the T-Bills;
- 9) the possibility of early redemption of T- bills, if such an option is offered;
- 10) the date and time of the auction;
- 11) The date of the primary sale of T-bills (date of settlement);
- 12) The method of auction;
- 13) The time for submission of bids;
- 14) The manner of submitting bids;
- 15) The deadline for payment of funds as a guarantee of payment and compensation;
- 16) The number of the account to which the guarantee payment, fees and funding for the purchase of T- bills must be paid;
- 17) The minimum amounts of the nominal value of T- bills that can be assigned to competitive and non-competitive bids;
- 18) The maximum amount of the nominal value of T- bills that one person can buy through making non-competitive bids;
- 19) The maximum percentage of the nominal value of the issuance for which a non-competitive bid can be made;
- 20) the date and time for publication of the auction results;
- 21) The deadline for payment of funds for the purchase of T- bills;
- 22) A statement to the effect that the Ministry of Finance reserves the right to decide during the auction to sell a greater number of T-bills than those issued (in cases where T-bills are issued for the purpose of providing liquidity);
- 23) Other information (contact person, phone number,

etc.).

Article 9

A person intending to participate in the auction of T-bills (hereinafter: a "bidder"), prior to submitting a bid, should have a registration number with the Central Depository Agency.

The Central Depository Agency shall submit a list of owners of T-bills to the Central Bank no later than 10am on the day of the T-bills auction.

Article 10

Before the auction, the bidder is to guarantee payment to the Ministry of Finance by paying 1% of the nominal value of the T- bills for which he intends to make a bid by the deadline published in the public invitation for participation in the T-bills auction, and to the account specified in the invitation.

Notwithstanding paragraph 1 of this Article, a payment guarantee is not required by a bidder who already owns T-bills and who, in a written statement on the manner of payment, states that the date of maturity of these bills shall not require the payment of their purchase price, but that the funds would go towards the purchase of new T-bills.

For bidders whose bid is accepted, the purchase price would be reduced by the amount paid for the payment guarantee.

Any bidder whose bid is not accepted shall be refunded his guarantee payment, by no later than the next business day following the end of auction up until 2pm.

Any bidder whose bid is accepted but who fails to pay the purchase price will not receive any refund of the guarantee payment.

Article 11

To participate in a T-bills auction, the bidder is to pay a fee to the Ministry of Finance by no later than the deadline, and to the account designated in the public invitation for participation in the T-bills auction.

The fee referred to under paragraph 1 of this Article shall be paid in the amount of 0.10% of the nominal value of T-bills for which one intends to submit a purchase bid.

Any bidder whose bid is refused in its entirety or in part shall be refunded fees, or shall be refunded fees proportionate to the amount of the rejected offer, by no later than the next working day after the date of completion of the auction up until 2pm.

Any bidder whose bid is accepted but who fails to pay the purchase price will not receive any refund of fees.

Article 12

A bidder is to submit a bid for the purchase of T- bills through the auction platforms of the Central Bank.

A bid for purchase of T-bills may only be submitted in electronic form, provided it is signed by the verified electronic signature of the bidder as per the law governing electronic signatures.

Bids for the purchase of T-bills may be submitted by domestic and foreign legal and natural persons in their own name and for their own account, or on their own behalf and for the account of a third party who has decided to indirectly - through an agent - submit a bid for the purchase of T- bills.

When the bid is submitted through an agent, the agent is to submit - with his/her bid - a representation contract (original contract or a copy of the contract notarised in accordance with the law) to the Central Bank via fax, e-mail or in any other way deemed admissible.

Article 13

Bidders may submit multiple bids for the purchase of T-bills.

Bids for the purchase of T- bills may be submitted no later than the expiration of the period specified in the public invitation for participation in the T-bills auction.

Article 14

A bid for the purchase of T- bills must specifically include:

- 1) The date of the decision on issuance of the T- bills that are to be purchased;
- 2) The ISIN number of the T-bills being purchased;
- 3) The registration number of bidders in the Central Depository Agency;
- 4) The nominal value of T- bills being purchased;
- 5) The number of T-bills being purchased;
- 6) The date of maturity of T- bills being purchased;
- 7) The discount rate at which T-bills are intended for purchase, if a competitive bid is being made;
- 8) The account number from which the bidder will make payment of funds;
- 9) A statement on the method of payment.

Article 15

The Central Bank verifies the submitted bids as respects the contents of the elements specified under Article 14 of these guidelines, as well as the timeliness thereof.

Incomplete and late bids are automatically rejected by the Auction platform.

Article 16

Bids can be competitive and/or noncompetitive. Competitive bids are necessarily expressed in terms of the number of T-bills intended for purchase, stating the discount rate per annum, with two decimal places.

Non-competitive bids are bids with the offered number of T-bills intended for purchase, without specifying the discount rate.

Article 17

Competitive bids must be expressed in amounts divisible by 100, and the minimum amount of the nominal value of each individual competitive bid is to be 10,000 EUR.

A bidder may make up to five competitive bids at the auction, listed by the increasing discount rate, provided the total nominal value of these bids does not exceed 50% of the total nominal value of the issuance of T- bills.

Notwithstanding paragraph 2 of this Article, following the end of the auction, the Ministry of Finance may accept the bid of a bidder even when it exceeds 50% of the total nominal value of the issuance of T-bills, provided the bidder was the only one to submit a bid, if all other bidders submitted bids totaling less than 50% of the total nominal value of the issuance of T-bills, or if the bidder made a bid for the purchase of T-bills at lower discount rates than other bidders.

Article 18

Noncompetitive bids must be expressed in amounts divisible by 100, and the minimum amount of the nominal value of each non-competitive bid is 5,000 EUR.

A bidder may submit only one non-competitive bid, of which the maximum amount of the nominal value may be 50,000 EUR.

The total nominal value of all non-competitive bids may not exceed 20% of the total nominal value of T-bills.

Article 19

Bidders may submit a competitive bid (ADZ KP) and/or non-competitive bid (TBA).

Article 20

Following the deadline for submission of bids for participation in the auction, the Central Bank shall without delay:

- 1) verify the submitted bids and amount of funds paid as a guarantee for payment and compensation;
- 2) classifies bids as competitive or non-competitive;
- 3) reserve the total nominal amount of the issuance value for non-competitive bids, at a maximum amount of 20% of the total nominal value of the issuance;
- 4) rank the competitive bids.

Any bid made by a bidder, including both the guarantee of payment and the compensation, that is unpaid to the amount prescribed shall be rejected.

Article 21

Competitive bids are ranked according to the discount rates on offer, by ascending order from lowest to highest.

After ranking the bids, the competitive bids are determined – those made with a discount rate equal to or higher than the executable discount rate.

Competitive bids containing a discount rate higher than the executable discount rate shall be dismissed.

Article 22

The executable discount rate is the discount rate that the Ministry of Finance defines as:

- 1) a single discount rate at which all competitive bids will be accepted in the case of applying the method of the unique discount rate, or
- 2) the highest discount rate up to which competitive bids will be accepted in the case of applying the method of multiple discount rates.

In the case of the single discount rate method, all bids are accepted that are equal to or lower than the executable discount rate, i.e. the established single discount rate representing a unique selling discount rate for the entire series of issued T-bills.

In the case of applying the method of multiple discount rates, all bids that are equal to or lower than the executable discount rate are accepted, i.e. the highest discount rate established by the Ministry of Finance, and will be realised according to the offered discount rates.

In the case of applying the method of multiple discount rates, the average discount rate is determined based on the discount rate of the accepted competitive bids.

Article 23

If non-competitive bids make up more than 20% of the total nominal value of the issuance, a reduction for the amount exceeding 20% is made on all individual non-competitive bids so as to be proportionate to the share value of each individual non-competitive bid within a total value of submitted non-competitive bids.

If non-competitive bids are lower than 20% of the total nominal value of the emission, all non-competitive bids are implemented in full, and the remaining amount is added to the amount set aside for competitive bids.

In the case of a single discount rate method, non-competitive bids are to be implemented at a single discount rate, and in the case of applying the method of multiple discount rates, uncompetitive bids are realized at an average discount rate.

Article 24

Accepted competitive bids are ranked in ascending order according to the offered discount rates, from lowest to highest, up to the total nominal value of the issuance, reduced by the nominal value of the submitted non-competitive bids.

If it is determined by a decision on issuance that a greater number of T-bills than those issued is not to be sold, competitive bids with the same discount rate are to be distributed using the rules of proportionality, and shall be rounded to the nearest 100 EUR.

Article 25

After ranking and accepting competitive bids by a discount rate, a discounted price of T-bills is determined.

The discount price of the T-bill is the nominal price of the T-bill minus the discounted interest calculated at the discount rate offered.

The discounted price, which is rounded to five decimal places, represents the purchase price of the T-bill.

The amount of the discounted prices per T-bill shall be calculated on an annual basis, according to the formula:

$$\text{Discounted price} = \frac{\text{nominal value}}{1 + \frac{(\text{discount rate}) \times (\text{number of days})}{360}}$$

The total discounted value of one bid represents the multiplication of discounted prices per T-bill by the number of T-bills that the bidder intends to buy.

Article 26

Auction results are published by the Central Bank through the Auction platform and on its website, no later than three hours following completion of the auction.

Auction results specifically include the following:

- 1) The date of the auction;
- 2) the number of the issuance of T- bills;
- 3) the ISIN number of T-bills;
- 4) the date of the primary sale of T-bills (date * of settlement);
- 5) the total nominal value of the issued T- bills;
- 6) the maturity date of the T-Bills;
- 7) the method of auction;
- 8) 8) The total amount of the submitted bids;
- 9) the total amount of accepted bids (competitive and/or non-competitive);
- 10) executable, or a single discount rate in the case of applying the method of single discount rates;
- 11) executable, lowest and average discount rate of accepted bids, if the method of multiple discount rates is applied.

Article 27

On acceptance of the bid, bidders are informed via the Auction platform.

The Central Bank sends, to bidders whose bids are accepted, an Invitation/Instruction for depositing funds, which specifically includes:

- 1) the number of T-bills purchased;
- 2) the nominal value of the accepted bid;
- 3) the discounted value of the accepted bid, or the purchase price of the accepted bid;
- 4) the amount of funds the bidder is obliged to pay;
- 5) the date and time of receipt;
- 6) the number of the account to which the funds are being deposited.

As regards the provisions of paragraph 2 of this Article, the Central Bank shall inform the bidders electronically, via fax or in some other agreeable manner.

Bidders are to purchase T-bills made in the amount of the purchase price of the accepted bid minus the amount of the guarantee payment, by no later than the next working day from the date of completion of the auction, by 12pm, as per the statement of the method of payment.

Article 28

The Central Bank shall submit Instructions for the transfer of ownership of T-bills to the Central Depository Agency by no later than the next working day from the date of receipt of funds for the purchase of T-bills, which shall include:

- 1) the ISIN number of the purchased T-bills;
- 2) the name of the buyer of the T-bills,
- 3) the registration number of the buyer of T-bills at the Central Depository Agency, and
- 4) the number and nominal value of T-bills, as purchased by each individual buyer.

The Instruction referred to under paragraph 1 of this Article is the basis for the Central Depository Agency to transfer ownership of the T-bills.

Article 29

The Central Bank, in accordance with the regulations on liability for damages, is not responsible for:

- 1) partial or complete inability to use Auction platforms due to the termination of telecommunications lines or malfunction resulting from reasons of force majeure or due to errors or improper handling of the equipment or the Auction platform by a person participating in the auction;
- 2) malfunction of software or hardware of persons participating in the auction;
- 3) other problems, errors or irregularities in trading through the Auction platform that may be caused by the actions of third parties, unforeseen circumstances or events that the Central Bank cannot influence, or which are beyond the control of the Central Bank.

Article 30

Persons taking part in the auction through the Auction platforms are responsible for the accuracy of the data they enter in the Auction platform.

A person participating in an auction via the Auction platform must:

- 1) checks the correctness of access to all functionalities of the system;
- 2) on discovering problems in accessing the Auction platform, promptly inform the Central Bank.

In the event of problems occurring during the auction, as discovered by the Central Bank or a person participating in the auction via the Auction platform, the Central Bank may:

- 1) extend the deadline for receipt of bids;
- 2) postpone the auction of T-bills for another day.

The Central Bank may decide to extend the deadline for receiving bids if a person participating in the auction via the Auction platform detects a problem in accessing the Auction platform and notifies the Central Bank of the same at least 15 minutes prior to the expiry of the deadline for receiving bids.

As regards the extension of the deadline for receipt of bids, the Central Bank shall inform all participants in the auction.

If the successful completion of the T-bills auctions cannot be accomplished by a deadline extension for the submission of bids, the Central Bank may opt to postpone the auction until the next working day and duly inform all auction participants in a timely manner.

2. Secondary market with T-bills

Article 31

Trading T-bills in the secondary market may be carried out on the stock exchange and OTC.

Stock Exchange trading of T-bills in the secondary market shall be carried out as per the regulations governing trading in other securities on the stock exchange.

OTC T-bills trading on the secondary market is carried out by concluding a written contract between the seller and the buyer of T-bills.

The contract referred to under paragraph 3 of this Article is the basis of the Central Depository Agency for the transfer of ownership of T-bills that are sold OTC, or transferred.

IV. REDEMPTION OF T-BILLS

Article 32

On the maturity date of the obligation to pay the funds on the issued T-bills, the Ministry of Finance repurchases T-bills by paying the nominal value of the T-bills.

Article 33

The Ministry of Finance transfers funds for the purchase of T-bills to its account for liquidity, by no later than 1pm on the maturity date of obligations on due T-bills.

Disbursement of funds for the purchase of T-bills is realised by the Central Bank, in the name and on behalf of the Ministry of Finance, on the basis of special authorisation.

Article 34

The Central Depository Agency shall submit a list of owners of T-bills to the Central Bank by no later than 10am on the day of maturity of the obligation to pay funds on due T-bills.

The Central Bank pays the funds for the redemption of T-bills to the bank accounts of the owners of T-bills before the end of the maturity of the obligation to pay on due T-bills.

Notwithstanding paragraph 2 of this Article, the funds for the purchase of mature T-bills are not paid to the bank accounts of owners of T-bills who issue a statement that these funds will be used for the purchase of new T-bills.

Article 35

The Ministry of Finance may decide to purchase T-bills before the date of their maturity (hereinafter referred to as: "early redemption") if that possibility is provided for in the decision on the issuance of T-bills.

Early redemption of T-bills is carried out by the Central Bank, in the name and for the account of the Ministry of Finance.

With a notice of early redemption of T-bills, the Ministry of Finance submits to the Central Bank the following:

- 1) the decision on early redemption of T-bills, and
- 2) the potential need for further information necessary for the implementation of early redemption of T-bills.

Article 36

Early redemption of T-bills is implemented through the publication of a public invitation for early redemption of T-bills.

The public invitation for early redemption of T-bills is to be published by the Central Bank at the time and in the manner stipulated under Article 8, paragraphs 1 and 2 of these Guidelines.

The public invitation for early redemption of T-bills shall specifically include:

- 1) The ISIN number of T-bills that are redeemed early;
- 2) the nominal value of the issuance that is purchased, that is the percentage of the issuance that is being redeemed;
- 3) the deadline for early redemption of T-bills;
- 4) the highest price up to which bids for redemption will be accepted;
- 5) the deadline for submission of bids;
- 6) the manner of submitting bids;
- 7) the date of disbursement of funds for early redemption of T-bills;
- 8) other information (contact person, phone number, etc.).

Article 37

Owners of T-bills are to submit their bids for early redemption of T-bills to the Central Bank, with proof of ownership of the T-bills.

Bids for early redemption of T-bills must include:

- 1) The ISIN number of T-bills that are available for purchase;
- 2) the nominal value of T-bills offered for redemption;
- 3) the price at which the owner of the T-bills intends to sell the T-bills that are subject to early redemption.

All bids for early redemption of T-bills, in which the offered price is up to the highest price established in the public invitation for early redemption of T-bills, shall be accepted in their entirety.

Article 38

The Ministry of Finance provides the means for early redemption of T-bills in the amount of the multiplication of the number of T-bills offered for early redemption by the maximum rate established in the public invitation for early redemption of T-bills.

The Ministry of Finance transfers the funds for early redemption of T-bills to its account for liquidity, by no later than the day before the beginning of the period for early redemption of T-bills.

Disbursement of funds for early redemption of T-bills is realised by the Central Bank, in the name and for the account of the Ministry of Finance, on the basis of special authorisation.

The Central Bank deposits the assets arising from the early redemption of T-bills to the bank accounts of the owners of the T-bills by no later than the end of the day following the date of acceptance of the offer for early redemption of T-bills.

The Central Bank returns surplus funds remaining after the early redemption of T-bills to the Ministry of Finance on the day after the date of expiry of the deadline for payment of early redeemed T-bills.

V. FINAL PROVISION

Article 39

These Guidelines enter into force on the eighth day following their publication in the "Official Gazette of Montenegro," and shall be implemented on the expiry of two months from the date of their entering into force.

Number:06-3542
Podgorica, September 3, 2014

Minister,
Radoje Žugić, signed