


MINISTRY OF FINANCE OF THE REPUBLIC OF MACEDONIA
Public Debt Management Department

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GOVERNMENT SECURITIES MARKET IN THE REPUBLIC OF MACEDONIA

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1. INTRODUCTION ON THE GOVERNMENT

SECURITIES MARKET

Government securities are risk-free short-term (treasury bills) or long-term securities (government bonds), issued by the Ministry of Finance on behalf of the Government of the Republic of Macedonia.

They can be distinguished as continuous and structural securities.

Structural securities appear in the process of transformation of the Republic of Macedonia towards market economy. By April 30, 2006, Republic of Macedonia issued a total of five structural bonds:

- Bond for rehabilitation of Stopanska Banka AD Skopje, when the Asset Management Agency issued bond for rehabilitation Stopanska Banka in 1995
- Bond for selective credits - issued in the process of rehabilitation of the banking sector for compensation of the selective credits of NBRM offset with the amount of the non-collectible claims from NBRM
- Stopanska Banka privatization bond - issued in the process of privatization of Stopanska Banka AD Skopje. With this bond, the government assumes the non-collected claims of four Macedonian enterprises from the portfolio of Stopanska banka
- Old foreign exchange saving bond - issued as compensation to the persons that had frozen foreign currency deposits in the banks in the Republic of Macedonia before its independence
- Denationalisation bonds - issued as compensation for the property which was nationalized by the SFRY in the period 1945 - 1990. Republic of Macedonia will make total of six issues of denationalisation bonds, i.e. one each year. The first issue was made in 2002 and by March 2006 inclusive, total of five issues were made.

Old foreign exchange saving bond and Denationalisation bonds are listed on the Macedonian Stock Exchange and are tradable.

Continuous Government Securities

Primary Market

Considering the need to develop the financial market, in 2003, the Government adopted a Strategy for development of government securities market. As a result of almost a year of preparation, in January 2004, Ministry of Finance successfully launched the first issue of government security, by issuing 3-month treasury bills. Due to the great interest by the investors for this new risk-free instrument on the market, 6-month treasury bill was soon introduced, and this trend continued in 2005 as well, when the first 12-month security was promoted, followed by a 2-year bond. After this short, but expansive growth, Ministry of Finance has already established a practice of holding 2 regular auctions in one month of 3-month treasury bills and 1 regular auction of 6-month treasury bills. Other instruments are issued on regular basis, but their issuance is more precisely determined in the Calendar, which covers a period of 6 months. The calendar is published in the newspapers, in the authorized direct participants (banks) and is publicly available on the Ministry of Finance website (www.finance.gov.mk).

Ministry of Finance chooses and organizes the auction mechanism of sale of government securities, as the most transparent one. Compared to the other techniques, auction sale is the most marketable manner of minimizing the costs for financing the budget deficit. This advantage arises from the competition among a certain number of participants who intend to obtain a part of the limited offer of government securities. The auction mechanism can be made via several types of tenders, however, in practice, the most frequently used type is the interest rate tender with multiple prices (American type). Under this type of auction, the successful auction participant pays the offered price. In addition to this type of auctioning, Ministry of Finance can apply in practice the uniform price tender (Dutch model), which unlike the American type of auctioning, the successful participants pay same price that is equal to the minimum successful price.

Participants on the government securities market are Ministry of Finance as issuer on one hand, and the authorized direct and indirect participants, on the other.

Authorized direct participants on the government securities market are all banks in the Republic of Macedonia that can purchase and sell government securities for their own account or for the account of the indirect participants.

Indirect participants are all domestic and foreign legal entities and physical persons that can purchase govern-

ment securities through the authorized direct participants. The procedure for issuance of government securities is regulated in the Rulebook on the Manner and Procedure for Issuance and Payment of Government Securities (Official Gazette of the Republic of Macedonia, no. 99/2005)

Secondary Market

The existing regulations on secondary trading in the Republic of Macedonia enable trading in long-term and short-term securities on the Macedonian Stock Exchange, as well as trading in securities on the money market and over the counter market.

The procedure for trading over the counter is more precisely elaborated in the Rulebook on the Manner and the Procedure for Trading and Settling Transactions in Securities on Over-the-Counter Market (Official Gazette of the RM, no. 24/2005), published on the websites of both the Ministry of Finance and the National Bank of the Republic of Macedonia. No transaction costs are currently charged for trading on the OTC market, since neither NBRM nor the Central Securities Depository charge fee for their services. Additional advantage of this market is that the settlement of the transactions is in real time, i.e. immediately after the transaction is executed. At the moment, only treasury bills are traded, and continuous government bonds will start to be traded soon.

2. EVENTS ON THE FINANCIAL MARKET

IN THE PAST PERIOD

Introduction of treasury bills for monetary purposes

In addition to the issue of government securities for monetary purposes, in March 2006, Ministry of Finance successfully launched the issue of government securities for monetary purposes. The main reasons for such an activity are sought in the initiative to gradually abolish market segregation between Central Bank bills and the treasury bills of the Ministry of Finance so as to create a homogenous government securities market, through which the NBRM will be able to better monitor the market signals of the participants and to strengthen its transmission mechanisms, increasing the banks' responsiveness to the activities undertaken by the monetary authorities.

Objective of this novelty is to support the development of the government securities market to the end of reducing the structural excess of liquidity for efficient implementation of the monetary policy by applying market instruments.

Treasury bills for monetary purposes will be issued on the regular auctions of government securities, in a way that, at every auction, part of the issue amount to be used for monetary purposes and the part intended for fiscal policy purposes will be announced. They will have the same features as the regular treasury bills, the only difference being that the collected funds from these issues will be sterilized on a special account with the NBRM. Interest-related costs will be covered by NBRM.

According to the agreement between the NBRM and the Ministry of Finance, in March and April 2006, Denar 3 billion from treasury bills were converted in 3-month treasury bills for monetary purposes. As a result, in this period, share of 3-month treasury bills in the total government securities increased. Following this transitional period for implementation of this project, Ministry of Finance continues with the policy of extending the maturity period of continuous government securities.

Fifth Issue of Denationalisation Bonds

On March 13, 2006, fifth issue of denationalisation bonds was launched. Total amount of these bonds was EUR 34 million, and all effective denationalization decisions by December 31, 2005, were covered for which bonds are given as form of compensation. Pursuant to the Law on Issuance of Denationalisation Bonds, Republic of Macedonia in a period of six years will carry out one issue of denationalisation bonds annually, and the Government of the Republic of Macedonia, with a decision, will determine, once a year, the amount of the denationalisation bonds to be issued.

Denationalisation bonds are registered securities, denominated in euros and unrestrictedly negotiable. Face value of the bond is EUR 1. Interest and face value of the bonds fall due on June 1, while the payment starts from June 1, 2007.

Following the adoption of the request for listing on the official market, the bonds are traded on the secondary market of the Macedonian Stock Exchange AD Skopje from March 16. Trading with the bonds, listed on the Macedonian Stock Exchange AD Skopje, is carried out on the basis of the market price. Payment upon executed purchase of the bonds on the secondary market is carried out at the price at which they have been traded on the Stock Exchange, including the accrued interest for the period from the last interest payment up to the transaction day.

3. GOVERNMENT SECURITIES MARKET

Primary Market

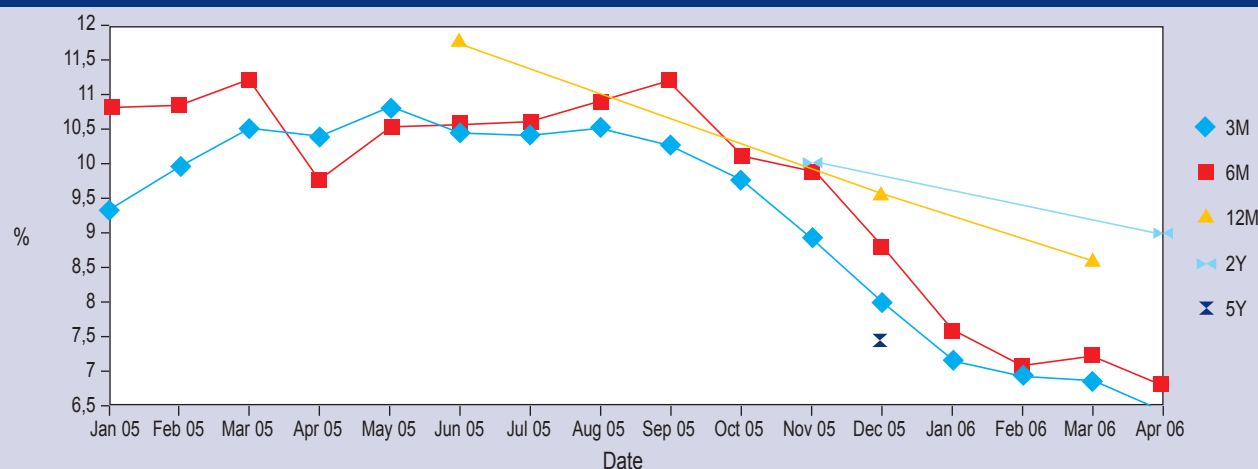
Results from the auction of treasury bills in March 2006

	3 month		6 month	12 month
	DZ2006/05-91	DZ2006/06-91	DZ2006/03-182	DZ2006/01-364
ISIN code	MKMINFDZ 6050	MKMINFDZ 6068	MKMINFDS 6034	MKMINFDY 6010
Days of maturity	91	91	182	364
Date of auction	07.03.2006	21.03.2006	07.03.2006	21.03.2006
Maturity date	07.06.2006	21.06.2006	06.09.2006	21.03.2007
Max. interest rate	7,38	6,99	8,09	9,14
Min. interest rate	6,25	6,00	6,90	7,50
Average interest rate	7,12	6,57	7,28	8,62
Average price	98,2322	98,3672	96,4489	91,9805
Amount offered for sale	650.000.000	1.100.000.000	300.000.000	350.000.000
Amount of bids submitted	915.540.000	1.677.430.000	572.260.000	461.320.000
Amount of bids accepted	650.000.000	1.100.000.000	300.000.000	350.000.000
Bid to cover ratio	1,41	1,52	1,91	1,32
Submitted bids	65	97	36	24
Accepted bids	54	34	11	17

Results from the auction of government securities in April 2006

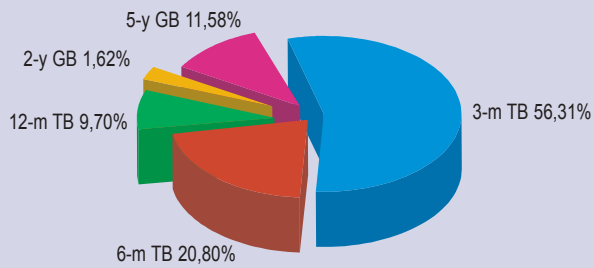
	3 month		6 month	2 year
	DZ2006/07-91	DZ2006/08-91	DZ2006/04-182	DO2006/01-0508
ISIN code	MKMINFDZ 6076	MKMINFDZ 6084	MKMINFDS 6042	MKMINF 20G028
Days/years of maturity	91	91	183	2
Date of auction	11.04.2006	25.04.2006	11.04.2006	27.04.2006
Maturity date	12.07.2006	26.07.2006	12.10.2006	03.05.2008
Max. interest rate	7,05	6,95	7,79	10,00
Min. interest rate	6,00	6,00	6,00	8,90
Average interest rate	6,49	6,40	6,84	9,44
Average price	98,3863	98,4092	96,6388	99,235
Amount offered for sale	1.350.000.000	1.319.830.000	500.000.000	250.000.000
Amount of bids submitted	1.030.170.000	1.768.460.000	66.430.000	307.460.000
Amount of bids accepted	1.030.170.000	1.319.830.000	66.430.000	350.000.000
Bid to cover ratio	0,76	1,34	0,13	1,23
Submitted bids	73	97	18	26
Accepted bids	60	34	18	22

Source: Ministry of Finance



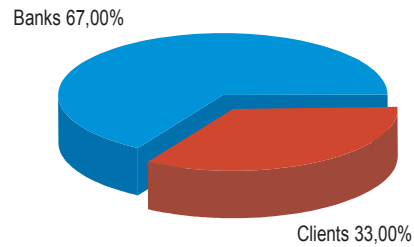
Source: Ministry of Finance

Government securities by maturity period from the day of issuance, March 2006



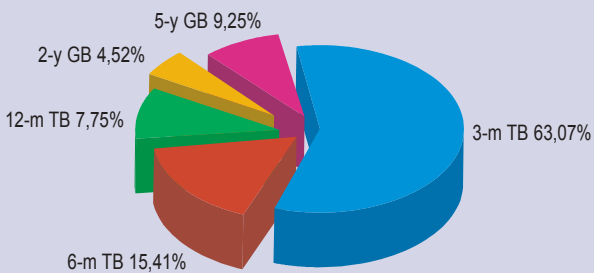
Source: Ministry of Finance

Ownership structure of government securities, March 2006



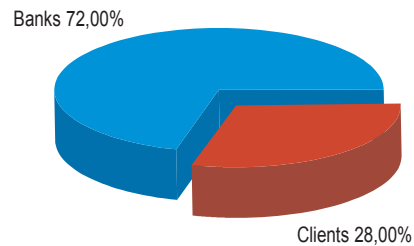
Source: Ministry of Finance

Government securities by maturity period from the day of issuance, April 2006



Source: Ministry of Finance

Ownership structure of government securities, April 2006



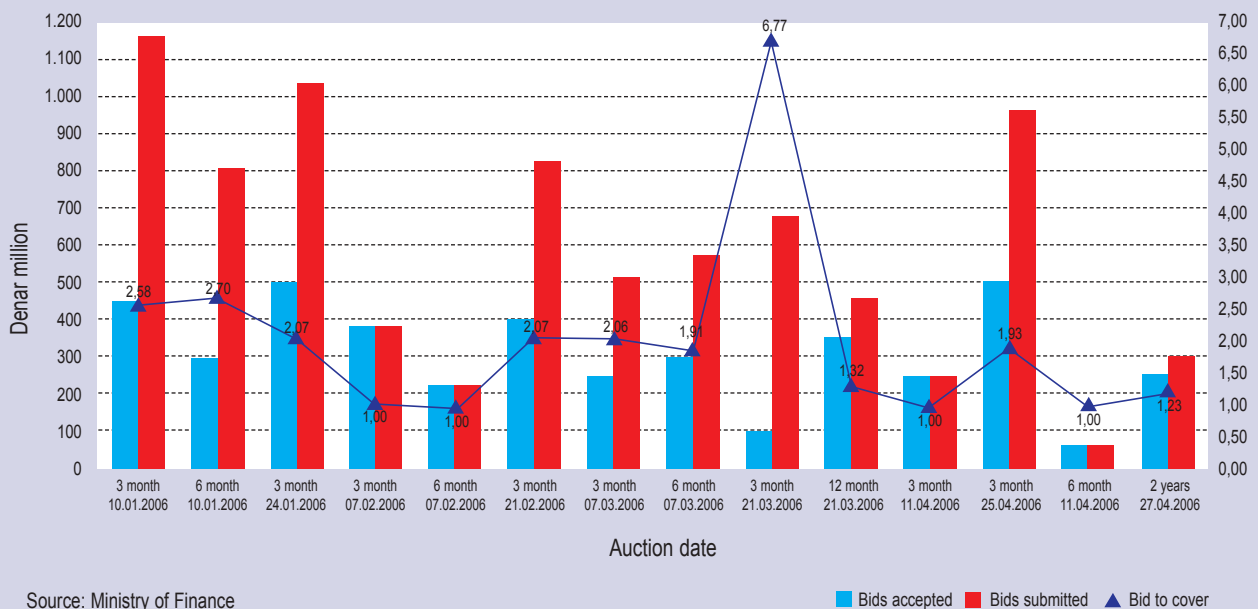
Source: Ministry of Finance

Stock of government securities issued as of April 2006 inclusive amounted to Denar 7,741,670,000, Denar 3 billion

out of which for monetary purposes, and the remaining for fiscal purposes:

Maturity of GS	3 - month	6 - month	12 - month	2 - year	5 - year
Stock of GS in Denars	1.882.780.000	1.192.870.000	600.000.000	350.020.000	716.000.000

Bids submitted and bids accepted at GS auctions in January - April 2006



Source: Ministry of Finance

■ Bids accepted ■ Bids submitted ▲ Bid to cover

Secondary Market

Transaction carried out through OTC

Transaction date	ISIN	Number of days of maturity	Nominal amount	Price	Yield to maturity
Trading with 3 month TB					
18.05.2005	MKMINFDZ5078	49	1.150.000	98,6320	10,19
06.06.2005	MKMINFDZ5086	44	1.020.000	98,6734	11,00
09.06.2005	MKMINFDZ5086	41	50.000	98,8739	10,00
13.06.2005	MKMINFDZ5086	37	50.000	98,8739	11,08
23.06.2005	MKMINFDZ5218	90	250.000	97,3186	11,02
30.06.2005	MKMINFDZ5102	55	10.000	98,4952	10,00
05.07.2005	MKMINFDZ5102	50	8.780.000	98,5222	10,80
06.07.2005	MKMINFDZ5110	63	10.000.000	98,1282	10,90
13.07.2005	MKMINFDZ5086	7	60.000.000	99,7866	11,00
27.07.2005	MKMINFDZ5102	28	10.000	98,4952	19,64
11.08.2005	MKMINFDZ5151	90	660.000	97,3330	10,96
25.08.2005	MKMINFDZ5169	90	1.540.000	97,3710	10,80
29.08.2005	MKMINFDZ5218	23	33.370.000	99,3021	11,00
29.08.2005	MKMINFDZ5144	51	60.000.000	98,5068	10,70
07.09.2005	MKMINFDZ5144	42	2.320.000	98,3929	14,00
12.09.2005	MKMINFDZ5144	37	10.000.000	98,8821	10,99
31.10.2005	MKMINFDZ5169	23	1.000.000	99,3273	10,60
09.11.2005	MKMINFDZ5177	28	3.000.000	99,1984	10,39
18.11.2005	MKMINFDZ5169	5	2.000.000	99,8558	10,40
31.01.2006	MKMINFDZ6019	71	1.110.000	98,638	27,00
31.01.2006	MKMINFDZ6027	85	630.000	98,374	17,00
02.02.2006	MKMINFDZ6027	83	180.000	98,411	77,00
03.02.2006	MKMINFDZ6027	82	220.000	98,430	67,00
22.03.2006	MKMINFDZ6050	77	5.100.000	98,379	77,70
28.03.2006	MKMINFDZ6068	85	300.000	98,3370	7,16
30.03.2006	MKMINFDZ6019	13	1.400.000	99,7365	7,32
03.04.2006	MKMINFDZ6050	65	4.900.000	98,5060	8,40
21.04.2006	MKMINFDZ6050	47	1.000.000	98,7724	9,52
28.04.2006	MKMINFDZ6084	89	660000	983730	6,69
Trading with 6 month TB					
14.02.2006	MKMINFDS5093	22	1.200.000	99,4832	8,50
20.02.2006	MKMINFDS5093	16	4.000.000	99,6236	8,50
03.03.2006	MKMINFDS5093	5	1.000.000	99,8959	7,50

Source: NBRM

4. CALENDAR OF AUCTIONS, SECOND AND THIRD QUARTER 2006

Quarter	Month	Auction code	Auction date	Payment date	Maturity date	Maturity (in days/years)	
II	april	DZ2006/07-91	11/04/06	12/04/06	12/07/06	91	
		DZ2006/04-183	11/04/06	12/04/06	12/10/06	183	
		DZ2006/08-91	25/04/06	26/04/06	26/07/06	91	
		DO2006/01-0508	27/04/06	03/05/06	03/05/08	02	
	may	DZ2006/09-91	09/05/06	10/05/06	09/08/06	91	
		DZ2006/05-182	09/05/06	10/05/06	08/11/06	182	
		DZ2006/10-91	23/05/06	24/05/06	23/08/06	91	
	june	DZ2006/11-91	06/06/06	07/06/06	06/09/06	91	
		DZ2006/06-182	06/06/06	07/06/06	06/12/06	182	
		DZ2006/12-91	20/06/06	21/06/06	20/09/06	91	
		DZ2006/02-364	20/06/06	21/06/07	20/06/07	364	
	III	july	DZ2006/13-92	11/07/06	12/07/06	12/10/06	92
DZ2006/07-182			11/07/06	12/07/06	10/01/07	182	
DZ2006/14-91			25/07/06	26/07/06	25/10/06	91	
august		DZ2006/15-91	08/08/06	09/08/06	08/11/06	91	
		DZ2006/08-182	08/08/06	09/08/06	07/02/07	182	
		DZ2006/16-91	22/08/06	23/08/06	22/11/06	91	
september		DZ2006/17-91	05/09/06	06/09/06	06/12/06	91	
		DZ2006/09-182	05/09/06	06/09/06	07/03/07	182	
		DZ2006/18-91	19/09/06	20/09/06	20/12/06	91	
			DZ2006/03-364	19/09/06	20/09/06	19/09/07	364

Source: Ministry of Finance

5. AUTHORIZED DIRECT PARTICIPANTS

(data, contacts and fees)

Name	Address	Fax	Phone	Nominal amount	Fee for treasury bills - successful bid*	Fee for government bonds-successful bid	Fee for unsuccessful bid
Alfa banka AD Skopje	Dame Gruev 1	3116-830 3135-206	3116-433	Any amount	0,10% (min. 150 den.)	0,10% (min. 150 den.)	
Eurostandard banka AD Skopje	Vasil Glavinov 12/2	3224-095	3228-444	Any amount	0,12% (min. 300 den.)	0,12% (min. 300 den.)	300 den.
Investbanka AD Skopje	Makedonija 9/11	3135-367	3114-166				
Investbanka AD Skopje (for 3-month treasury bills)				10,000-50,000 den	200 den. fixed		
				60,000-100,000 den	500 den. fixed		
				110,000-500,000 den.	1,000 den. fixed		
				510,000-1,000,000 den.	1,500 den. fixed		
				1,010,000-5,000,000 den.	0,14% (min. 1,500 den.)		
				5,010,000-10,000,000 den.	0,12% (min. 7,000 den)		
				exceeding Denar 10,010,000	0,10% (min. 12,000 den.)		
Investbanka AD Skopje (for 6-month treasury bills)				10,000-50,000 den	300 den. fixed		
				60,000-100,000 den	700 den. fixed		
				110,000-500,000 den.	1,300 den. fixed		
				510,000-1,000,000 den.	2,000 den. fixed		
				1,010,000-5,000,000 den.	0,16% (min. 2,000 den.)		
				5,010,000-10,000,000 den.	0,14% (min. 8,000 den.)		
				exceeding Denar 10,010,000	0,12% (min. 14,000 den.)		

PUBLIC DEBT MANAGEMENT DEPARTMENT

Investbanka AD Skopje (government bonds)				10,000-50,000 den 60,000-100,000 den 110,000-500,000den. 510,000-1,000,000 den. 1,010,000-5,000,000 den. 5,010,000-10,000,000 den. exceeding Denar 10,010,000		500 den. fixed 1,000 den. fixed 1,300 den. fixed 2,000 den. fixed 0,17% (min. 2,500 den.) 0,15% (min. 7,500 den.) 0,13% (min. 15,000 den.)	
Internacionalna privatna banka AD Skopje	27 mart 1	3112-830 3134-060	3119-191 3124-288	Up to Denar 200,000 exceeding Denar 200,000	200 den. fixed 0,10%	0,10% (min. 200 den.)	200 den.
Izvozna i kreditna banka AD Skopje	Partizanski odredi, 3 blok 11	3122-393	3122-207	Any value	0,12%	0,12%	Denar 300 and Denar 500 for GB
Komercijalna banka AD Skopje	Dimitar Vlahov 4	3113-494	3107-107 3111-133	Any amount	0,12% (min.300 den.)	0,12% (min. 300 den.)	300 den.
Komercijalna investi- ciona banka AD Kumanovo	Plostad Nova Jugoslavija b.b	031/420-061	031/475-100 031/426-455	Any amount	0,12% (min.200 den.)	0,15% (min.300 den.)	Denar 200 for TB Denar 300 for GB
Makedonska banka AD Skopje	Bul. VMRO, 3-12/2	3117-191	3117-111	Up to Denar 730,000 730,000-27,270,000 exceeding Denar 27,270,000	800 den. fixed 0,11% 30,000 den. fixed		
Ohridska banka AD Ohrid	Makedonski prosvetiteli 19	046/254-130 046/254-133	046/206-600 046/265-330	Any value	0,10%	0,10% (minimum 100 den.)	Denar 100 for GB
Postenska banka AD Skopje	Marks Engels 3	3220-389 3163-054	3112-862 3163-354	Does not work with clients			
ProKredit banka AD Skopje	Bul. Jane Sandanski 109/a	3219-901	3219-900 3219-948	Any amount	0,12% (min.300 den.)	0,12% (min.300 den.)	
Sileks banka AD Skopje	Gradski zid, blok 9. lokal 5	3114-891 3224-844	3115-288 3115-880	Any amount	500 den. fixed	0,12% (min. 500 den.)	500 den.
Stopanska banka AD Bitola**	Dobriove Radosavljevic 21	047/207-515 047/207-541	047/207-500 047/207-513	Any amount	0,1% (min.200 den.)	0,2%	Denar 200 for TB
Stopanska banka AD Skopje	11 Oktomvri 7	3114-503	3295-295	10,000 den. 20,000-50,000 den. 60,000-500,000 den. exceeding Denar 500,000	250 den. fixed 350 den. fixed 500 den. fixed 0,12%	250 den. fixed 350 den. fixed 1250 den. fixed 0,25%	250 den.
Teteks Kreditna banka AD Skopje	Naroden front 19/a	3236-444	3236-400	Do 200,000 den. exceeding Denar 200,000	200 den. fixed 0,10 %	0,10% (min. 200 den.)	
Tetovska banka AD Tetovo	Marsal Tito 14	044/335-274	044/335-280	Any amount	0,50%	0,50%	0,30%
Tutunska banka AD Skopje	12-ta Udarna brigada, b.b	3105-630 3105-681	3105-601 3105-606	Any amount	0,12% (min. 300 den.)	0,12%	300 den
Makedonska banka za pod- rska na razvojot AD Skopje	Veljko Vlahovic 26	3239-688	3114-840 3115-844				
Univerzalna investiciona banka AD Skopje	Maksim Gorki 6	3286-000 3130-448	3286-100	Any amount	0,12%	0,12%	
T.X Ziraat bankasi- podruznica Skopje***	Zeleznicka 8	3110-013	3111-337	Any amount	0,10% (min.15 EUR maximum 400 EUR)	0,10% (min.15 EUR maximum 400 EUR)	

*Data are provided from the commercial banks in the Republic of Macedonia and are subject to changes according to the business policy of the banks.

**All banks charge fees on the nominal amount, except Stopanska Banka AD Bitola, which charges fee on the discounted amount.

*** The amounts expressed in EUR are calculated in Denar equivalent on the day of payment according to the NBRM exchange rate.

6. CONTACT PERSONS

Name:	Position	Phone	E-mail
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Sanja Manasijevik Manceva	Front Office	02 3106 171	Sanja.Manasijevic@finance.gov.mk
Darko Blazevski	Front Office	02 3106 293	Darko.Blazevski@finance.gov.mk
Dejan Nikolovski	Front Office	02 3106 381	Dejan.Nikolovski@finance.gov.mk