

RULES
FOR THE PRIMARY SALE
OF GOVERNMENT SECURITIES
ORGANIZED BY THE CZECH NATIONAL BANK

January 2019

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Part I. General Provisions

I.

Introductory provisions

(1) The Czech National Bank (hereinafter referred to as the “CNB”) on the basis of Article 31 of Act No. 6/1993 Coll., on the Czech National Bank, as subsequently amended, and Article 26 (4) and 26 (5) of Act No. 190/2004 Coll., on Bonds (hereinafter referred to as the “Act on Bonds”) shall put up for onshore sale of government securities and may, on the authority of the Ministry of Finance, also perform other activities connected with their administration, repayment and transfers and, as the case may be, also further activities required.

(2) These Rules for the primary sale of government securities organized by the Czech National Bank (hereinafter referred to as the “Rules”) are issued after having been discussed with the Ministry of Finance and govern the procedures and rules applied at the primary sale of treasury bills (hereinafter referred to as the “T-Bills”) and medium-term and long-term government bonds (hereinafter referred to as “GB”) issued in the Czech Republic.

(3) GB are issued in dematerialized form and registered at the Central Securities Depository (hereinafter referred to as the “Central Depository”). T-Bills are issued in dematerialized form and registered at the Short-Term Bond System (hereinafter referred to as the “SKD”). CNB is an issuer’s agent by course of the SKD Rules. Sale of T-Bills is regulated further by SKD Rules.

(4) Other entity than Central Depository which is entitled to keep a record of book-entry securities ownership may keep the record upon the issuer’s decision. In such case the provisions of these Rules shall be used adequately.

(5) If the government securities (i.e. both T-Bills and GB) issued abroad are sold in the Czech Republic, provisions of these Rules are applied appropriately. These Rules do not apply to sale of securities which are either restricted or ruled out in its negotiability according to the Article 26 (6) of the Act on Bonds. Any prospective details of procedures and rules for primary sale shall be described in the auction announcement or in a document which would be an analogy to the conditions of issuance according to Act on Bonds.

(6) The issuer of government securities is the Czech Republic – Ministry of Finance (hereinafter referred to as the “Issuer”).

II.

Conditions of issuance

(1) The issuance of government securities shall be conducted in the scope of special law and shall be governed by the Terms and Conditions of Issuance of government securities which are stipulated by the issuer

(2) The Terms and Conditions of Issuance of GB and the Common Terms and Conditions of Issuance of T-Bills shall be published in the Collection of Laws and further in a manner which enables remote access and shall be also available at the Issuer, the administrator of the issue and the CNB. The supplement information to the Common Terms and Conditions of Issuance of T-Bills according to the Article 26 (1) of the Act on Bonds and the information on the total estimated nominal value of the GB according to the Article 7 (5) of the Act on bonds shall be published by the issuer in a manner which enables remote access.

III. Organization of primary sale

(1) Government securities shall be sold onshore on the primary market principally by auction to primary dealers and recognized dealers (hereinafter referred to as “PD” and “RD”) or in the form of direct registration on the owner account of the Issuer by course of the Article 15 (4) of the Act on Bonds.

(2) Other interested parties, be the legal entities or natural persons, residents or non-residents (hereinafter referred to as “clients”), may participate indirectly in the primary government securities market through PD and / or RD in such a way that the PD and / or RD include those parties’ requests in their bids.

(3) The CNB shall, with the agreement of the Issuer, set the auction limit according to the Article 9 of the Rules. The issuer or CNB with the approval by the Issuer, may change or abolish this limit in the case of a particular auction.

(4) Auctions for PD and RD shall be organized by the CNB. The auction venue shall be the CNB. The auction rules are given in Part 3 of the Rules – Auction Rules.

(5) Primary sales of GB shall be settled on the date of issue. The legal entity or natural person which, as a result of the auction, becomes the first purchaser of the book-entry bonds issued (hereinafter referred to as the “Underwriter”) shall be obliged to pay the Issuer for the bonds issued not later than on the settlement date for the primary bond issue. If the Underwriter, PD or RD through which the Underwriter (client) participates in the primary market is not a member of Central Depository it shall, for the purposes of settlement of the primary bond issue, use the services of a Central Depository member. Bonds shall be credited to securities owner accounts at the Central Depository of book-entry securities according to:

- a) information on the results of the auction,
- b) information on the underwriters of the securities,
- c) the Underwriter’s payment.

(6) Primary sales of T-Bills shall be settled in accordance with the Rules of the SKD system. As part of the settlement of primary sales, T-Bills shall be credited to the customer’s account according to the results of the auction. In the case of other interested parties whose requests a PD or RD has included in its order, the PD or RD shall ensure settlement in the manner agreed.

IV. Administrator of the issue

(1) The paying agent of the government securities issue (hereinafter referred to as the “Administrator”) shall arrange for the requisite activities associated with the issuance, administration and servicing of the government debt arising by virtue of the government securities, in particular for the registration of the government securities at the Central Depository or SKD and for settlement in accordance with the results of the auction, revenue payments and repayment of the nominal value. The Administrator shall arrange for these activities on the authority of the Issuer.

(2) If the Administrator is the CNB, then the rights and duties of the Administrator of the issue shall be stipulated in an agreement concluded between the Issuer and the CNB, in other cases in an agreement between the Administrator, the Issuer and the CNB.

V.
Denotation of issues

(1) A GB issue shall be named in the following manner:

ČR, x,xx %, yy,

where x,xx is the percentage amount of the GB coupon given to two decimal places and yy is the last two digits of the year of maturity of the GB.

(2) In case of the variable coupon bond the “VAR” abbreviation shall be used instead of coupon percentage.

(3) T-Bills issues shall be named in the following manner:

2XXXXYYY,

where XXXX is the T-Bill maturity date (in the format “ddmm”) and YYY is the serial number of the issue.

(4) ISIN and serial number shall be unique identifiers of government securities.

Part II. Criteria for Primary Dealers and Recognized Dealers

VI.
Conditions for membership in a group of PDs

(1) The issuer, PD and RD are the only entities that could take part in the government securities auctions. To become a PD or RD, the applicant must contract with MoF the Dealer Agreement For Czech Government Securities (hereinafter referred to as “Agreement”).

(2) PD or RD must fulfil further the following conditions:

- a) it must have an account at the CERTIS interbank payment system, operated by the CNB or be connected to this system via another bank,
- b) it must be a Central Depository member or be able to settle both its own trades and trades of its clients through another Central Depository member,
- c) it must be able to submit its auction bids through the Bloomberg auction system pursuant to Article 8.

(3) PD and RD must be a SKD System participant as an agent and client with authorization to make purchases on the primary market and to buy and sell on the secondary market.

(4) PD and RD must comply with these Rules and with any other conditions of the individual auctions, set and announced by the CNB in accordance with these Rules.

(5) PD and RD must accept, to the extent of its free limit, investors’ bids and take them to the auction.

(6) PD and RD must comply with the terms and conditions set and announced by the Administrator.

(7) PD must give its consent to inclusion in the list of PDs published by the CNB.

(8) RD must give its consent to inclusion in the list of RDs published by the CNB.

(9) PD must send to the CNB completed form “Specimen signatures of primary dealer“ separately for GB and T-Bills (Annex 1e and 1g of the Rules) and update it after each change; only the persons given in the form “Specimen signatures of primary dealer” shall be entitled to submit or sign auction bids.

(10) RD must send to the CNB completed form “Specimen signatures of recognized dealer” separately for GB and T-Bills (Annex 1f and 1h of the Rules) and update it after each change; only the persons given in the form “Specimen signatures of recognized dealer” shall be entitled to submit or sign auction bids.

Part III. Auction Rules

VII.

Auction announcement

(1) The CNB and the issuer shall publish an auction announcement in a manner which enables remote access, through information agencies or the press not later than one working day before the auction in case of GB or at the auction day in case of T-Bills.

(2) The auction announcement shall include in particular:

- a) either the ISIN of the government securities issue or the T-Bill issue code,
- b) the type of the auction and the manner of submitting bids,
- c) the auction date,
- d) the issue date,
- e) the maturity date,
- f) the total nominal volume offered at the competitive auction (as a fix figure or as a spread),
- g) the time limit for accepting bids.

(3) If, for technical reasons, it proves impossible to publish the auction announcement, the CNB informs the PD’s and RD’s contact persons directly.

(4) If the auction announcement is not published pursuant to paragraph 1, the PD or RD shall refer to an authorized member of staff of the CNB.

(5) The issuer is entitled to cancel the auction one working day prior to date of auction at the latest.

VIII.

Submission and acceptance of bids

(1) PD and RD shall submit their GB auction bids through the AUPD function in the Bloomberg system from the terminal of one of the authorized users given on the form “Specimen signatures of primary dealer in auction of GB” (Annex 1e of the Rules) and “Specimen signatures of recognized dealer in auction of GB” (Annex 1f of the Rules). PD and RD shall submit their T-Bills auction orders electronically through the SKD system (Annex 1g and 1h of the Rules).

(2) The PD or RD may place, change and cancel its orders within the time limit provided in Article VII (2) (g) of these Rules without any restrictions. The PD and RD are not entitled to make any changes to its orders once this time limit has expired.

(3) If it proves impossible to submit the bid pursuant to paragraph 1, the PD and / or RD shall, at the earliest opportunity, notify an authorized member of staff of the CNB and shall, within the stipulated time limit, fax the bid on the prescribed form (Annexes 1a, 1b or 1d of the Rules) to the contact fax number or deliver it directly to the authorized members of staff of the CNB (hereinafter referred to as “alternative submission of bids”). The PD and / or RD shall verify delivery of the faxed order using the contact telephone number. Non-

compliance with this requirement may result in the PD's or RD's order not being included in the auction.

(4) The names and specimen signatures of the authorized members of staff of the CNB, contact addresses, telephone numbers and fax numbers shall be sent directly to the PD and RD on the forms given in Annex 3 of the Rules.

(5) Each PD or RD shall send on the prescribed form (Annex 1c of the Rules) by the means of Bloomberg message system or to the CNB's contact fax number a list of all investors (both clients and itself) whose bids have been submitted to the auction. The list of investors shall be delivered by the day after the auction date at the latest.

(6) Competitive bids shall be submitted in a format, which complies with the published manner of submission of the bids.

(7) In the event of formal deficiencies in the bid or the list of investors, the authorized members of staff of the CNB may ask the PD and RD to rectify them, but they shall not be obliged to do so. This shall be without prejudice to the duty of the PD and RD to complete the bid and the list of investors correctly, both formally and materially, and to deliver them to the CNB.

(8) The PD and RD are responsible for the formal and material correctness of the information contained in the bid and the list of investors.

(9) The order form according to paragraph 3 must be signed by the person/persons whose signatures are given on the PD's or RD's valid specimen signature form at the CNB's disposal.

IX. Auction limit

(1) The maximum possible share of PD and RD total bids in the competitive part of the GB auction shall be up to 50 % of the total GB nominal amount offered in the competitive part of the GB auction in case of either the auction of the first, second and third tranche of the GB issue, for the T-Bills auction is not set the maximum possible share of PD and RD total bids in the competitive part of auction. If the total nominal amount offered in the competitive part of the GB auction is set as a range the above mentioned limit is set as the mean value of this range. If the total nominal amount offered in the competitive part of the GB auction is set as a maximum GB nominal amount the above mentioned limit is set from this maximum GB nominal amount.

(2) The adherence to the auction limit pursuant to paragraph 1 shall be done by the CNB before the auction allocation.

(3) The issuer shall be entitled either to rise or reduce the total nominal amount sold in the competitive part of the auction of government securities.

X. Processing of bids

(1) The CNB shall be entitled to decide to exclude or reduce any bid submitted by a PD or RD if the auction rules are not complied with.

(2) The individual bids submitted by PD and RD shall be processed according to Annex 2 – Algorithm and processing of bids in dependence on the manner of submission of bids for the auction.

(3) An individual bid submitted by a PD and RD with the highest yield or the lowest price shall not be processed if that bid would cause the auction limit to be exceeded. In the event that by not processing of such bid the volume bid should fall below the stipulated auction limit, the CNB shall reduce the volume of the bid in such a way that the total volume of the bids should equal the auction limit

(4) The Issuer shall be entitled, during the course of a competitive part of auction, to reduce or increase the nominal volume of government securities offered for competitive part of the auction in accordance with the Article IX. (3) of the Rules. Any non-compliance with the auction limits resulting therefrom shall not be deemed an infringement of the Rules.

(5) The specific description of the individual steps of the auction algorithm used to process the bids of individual PD and RD is given in Annex 2 of the Rules – Algorithm and processing of bids.

XI.

Announcement of auction results

(1) The CNB shall publish information on the results of auctions in a manner which enables remote access, through information agencies, or the press, usually on the date of the auction.

(2) The published auction results shall in particular include:

- a) the total requested nominal volume of competitive and non-competitive bids,
- b) the total volume sold, broken down into competitive and non-competitive bids,
- c) either the minimum, average and maximum accepted yield to maturity and the minimum, average and maximum price in case of the GB with fixed coupon or the spread against the PRIBOR,
- d) the average yield and average price in case of T-Bills auction,
- e) the bid satisfaction coefficient with the maximum accepted yield to maturity or the spread against PRIBOR and the minimum or maximum accepted price.

(3) After the auction ends, the PD and RD shall have access to the information on the satisfaction of individual bids either on the Bloomberg system through the AUPD function for GB auction or in the SKD system in the case of T-Bills auction. In the event of alternative submission of bids, this information shall be sent to the contact fax number usually on the date of the auction, but no later than at 3.00 p.m. CET on the working day following the auction.

(4) If a PD and / or RD does not receive the notification referred to in paragraph 3, it shall turn to authorized members of the staff of the CNB (Annex 3a of these Rules) and ask them to send the notification.

XII.

Claims

(1) A PD or RD discovering a mistake in the auction results or any other mistake arising during the auction shall immediately communicate this fact in writing (hereinafter referred to as the “claim”) to the CNB at the contact address for sending claims (Annex 3b). The claim must be signed by one of the persons whose signature is given in the PD’s or RD’s valid specimen signature form at the CNB.

(2) Within three working days of receiving the claim, the CNB shall provide information in writing to the PD or RD that lodged the claim on the handling of that claim.

(3) If the PD or RD is not satisfied with the way in which the claim is being dealt with, it may send the CNB a written complaint to the contact address for sending claims. The CNB shall investigate the complaint and shall inform the PD or RD of the results of that investigation and of its conclusions in the matter in question within five working days of receiving the complaint.

Part IV. Procedure in the Event of Non-compliance with the Rules

XIII. Infringement of the Rules

(1) “Infringement of the Rules” shall mean:

- a) a breach of the conditions for membership in government securities auctions by course of the Article 6 of these Rules,
- b) a breach of the auction rules on the part of a PD or RD (Part Three),
- c) misrepresentation or attempted misrepresentation of any information provided by the PD or RD within the scope of these Rules.

(2) If it is found out that a PD and / or RD infringes the Rules as mentioned above (1), the Issuer, after consultation with the CNB, may impose a ban on taking part in one or more government securities auctions. CNB shall inform the contact persons of the PD and / or RD mentioned in Annex 1e, 1f, 1e or 1h of these Rules.

Part V. Final Provisions

XIV. Announcement and Amendments of the Rules

(1) The CNB shall publish these Rules in the form of Official Information in the Bulletin of the Czech National Bank and further in a manner which enables remote access.

(2) The CNB shall be authorized to amend and supplement the Rules after an agreement with the issuer.

(3) The CNB shall publish any amendments or supplements to the Rules in the form of Official Information in the Bulletin of the Czech National Bank and further in a manner which enables remote access.

(4) On each amendment to the Rules the CNB shall provide the PD or RD with adequate time to adjust their activities.

(5) These Rules may be translated into other languages. If there is any inconsistency between the different language versions of the Rules, the Czech version shall be the conclusive version.

XV. Repealing Provision

The second version of the Rules for the Primary Sale of Government Bonds Organized by the Czech National Bank, published in the Official Information of the CNB of 18 December 2015 in the Bulletin of the CNB, Volume 14/2015 shall be repealed.

XVI.
Effect

These Rules shall take effect on the date of publication.

Annex 1. Forms and Notes

The following forms (with accompanying notes) are given in this Annex:

Comprehensive bid for primary purchase in competitive part of GB auction (Annex 1a),

Bid for primary purchase in non-competitive part of GB auction (Annex 1b),

List of investors (Annex 1c),

Bid for primary purchase in T-Bills auction (Annex 1d)

Specimen signatures of primary dealer in auctions of GB Annex 1e),

Specimen signatures of recognized dealer in auctions of GB Annex 1f),

Specimen signatures of primary dealer in auctions of T-Bills (Annex 1g).

Specimen signatures of recognized dealer in auctions of T-Bills (Annex 1h).

PD/RD name:		
Issue ISIN and name:		

**COMPREHENSIVE BID FOR PRIMARY PURCHASE
IN COMPETITIVE PART OF GB AUCTION**

Sequence No. of bid	GB bid amount (in CZK 000s)	Yield/Price of GBs
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
Total		CZK 000s

.....
PD's/ RD's signature

Comprehensive bid for primary purchase in competitive part of GB auction

(1) On each form for the bid to the GB competitive part of the auction the PD or RD shall give the following information:

- the identity of the PD/RD (PD/RD name)
- basic issue identification information (ISIN and name of issue)

(2) In the “Yield/Price of GBs” column the PD or RD shall mention, in dependence on the manner of submission of bids for the auction given in the Announcement of an Auction, either the yield in per cent p.a., or the price, specified to the required number of decimal positions.

(3) The Bid to the GB competitive part of the auction must be signed by an authorised person whose specimen signature is given on the form “Specimen signatures of primary dealer in auction of GB” (Annex 1e) or form “Specimen signatures of recognized dealer in auction of GB” (Annex 1f) which the CNB has at its disposal.

PD name:		
Issue ISIN and name:		

**BID FOR PRIMARY PURCHASE
IN NON-COMPETITIVE PART OF GB AUCTION**

Bid	GB bid amount (in CZK 000s)	
N		
Total		CZK 000s

.....
PD's signature

Bid for primary purchase in non-competitive part of GB auction

(1) On each form for the bid to the non-competitive part of GB auction the PD shall give the following information:

- the identity of the PD (PD name)
- basic issue identification information (ISIN and name of issue)

(2) The Bid for the non-competitive part of GB auction must be signed by an authorised person whose specimen signature is given on the form “Specimen signatures of primary dealer in auctions of GB” (Annex 1e) which the CNB has at its disposal.

PD/RD name:		
Issue ISIN and name:		

LIST OF INVESTORS

Investor name	IČ (ID number)	GB bid amount(in CZK 000s)	GB Yield/Price
Total			CZK 000s

Note: the table shall also comprise the customer bids which are settled after the auction on the secondary market

.....
PD's/ RD's signature

List of investors

(1) The list of investors (hereinafter referred to as the “List”) shall pertain to the competitive and the non-competitive bid. In this entry, The PD shall give the same PD name and issue identification information (ISIN and name of issue) as given on the Bid form.

(2) The “Investor name” column shall contain the unabbreviated name or identity of the investor – client, PD or RD.

(3) The “IČ (ID number)” column shall contain the IČ (ID number) or birth identity number of the investor (client, PD or RD), if he has been allocated one.

(4) The PD or RD shall state the investor’s individual requests (these shall also comprise the customer bids settled after the auction on the secondary market) in the column “GB bid amount”. In the columns “Investor name” and “IČ (ID number)”, the investor’s identity need only be given in the first row of the investor’s requests.

(5) In the “GB Yield/Price” column the PD or RD shall mention, in dependence on the manner of submission of bids for the auction given in the Announcement of an Auction, either the yield in per cent p.a., or the price, specified to the required number of decimal positions, according to the yield or price with which the investor’s requirement is included in the Competitive Bid. In the case of non-competitive bids, the PD or RD shall insert the letter “N” in the “GB Yield/Price” column.

(6) The List must be signed by an authorised person whose specimen signature is given on the form “Specimen signatures of primary dealer in auctions of government securities” (Annex 1e of these Rules) or “Specimen signatures of recognized dealer in auctions of government securities” (Annex 1f of these Rules) which the CNB has at its disposal.

BID FOR PRIMARY PURCHASE IN T-BILL AUCTION

Owner account number:

--	--

Code and abbreviated name of PD/RD:

--	--

Code and abbreviated name of Agent:

--	--

Issue code:

--	--

Auction date	Issue date	Maturity date

Competitive orders:

	Bid amount (CZK)	Order yield (% p.a.)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Non-competitive order:

	T-bill bid amount (CZK)
1	

At, date

.....
 PD's/ RD's signature according to
 specimen signature

Bid for primary purchase in T-bill auction

(1) The “Owner account number” shall denote the PD’s or RD’s owner account to which the securities acquired by the PD or RD are to be credited on the issue date. The PD or RD may use more than one owner account, but must complete a separate “Bid for primary purchase in T-Bill auction” form for each of them (hereafter in Annex 1 referred to as the “order”).

(2) The “Code and abbreviated name of PD/RD” shall be given in accordance with the Contract on SKD System Participation with a Client concluded between the CNB and the PD or RD.

(3) The “Code and abbreviated name of agent” shall be given in accordance with the Contract on a Securities Owner Account in the SKD System for the owner account pursuant to paragraph 1 concluded between the CNB and the PD or RD.

(4) The “Issue code” shall be given in accordance with the published auction information.

(5) The “Auction date”, “Issue date” and “Maturity date” shall be completed by the PD or RD in accordance with the published auction information.

(6) The “Bid amount” shall be given in CZK and the “Order yield” in per cent p.a.

(7) The order must be signed by the authorised person whose specimen signature given on the form “Specimen signatures of primary dealer in auctions of T-bills” (Annex 1g of the Rules) or “Specimen signatures of recognized dealer in auctions of T-bills” (Annex 1h of the Rules) which the CNB has at its disposal.

**SPECIMEN SIGNATURES
OF PRIMARY DEALER IN AUCTIONS
OF MEDIUM-TERM AND LONG-TERM GOVERNMENT BONDS**

Page:

IČ (ID number) and name of PD:		
Registered address of PD:		

The persons given hereunder are authorised to confirm by signature the bids of the aforementioned primary dealers in auctions of medium-term and long-term government bonds. They are also authorised to submit bids through the Bloomberg information system.

	First name and surname Position	Telephone no. Fax no.	Bloomberg UUID	Signature
1				
2				
3				
4				
5				
6				
7				
8				

At, date

.....
PD's signature

**SPECIMEN SIGNATURES
OF RECOGNIZED DEALER IN AUCTIONS
OF MEDIUM-TERM AND LONG-TERM GOVERNMENT BONDS**

Page:

IČ (ID number) and name of RD:		
Registered address of RD:		

The persons given hereunder are authorised to confirm by signature the bids of the aforementioned recognized dealers in auctions of medium-term and long-term government bonds. They are also authorised to submit bids through the Bloomberg information system.

	First name and surname Position	Telephone no. Fax no.	Bloomberg UUID	Signature
1				
2				
3				
4				
5				
6				
7				
8				

At, date

.....
RD's signature

**SPECIMEN SIGNATURES
OF PRIMARY DEALER IN AUCTIONS
OF TREASURY BILLS**

Page: Code and
abbreviated name of PD:

Full name of PD:

Registered address of PD:

The persons given hereunder are authorised to confirm by signature the bids of the
aforementioned primary dealer in auctions of Treasury bills.

	First name and surname Position	Telephone no. Fax no.	Signature
1			
2			
3			
4			
5			
6			
7			
8			

At, date

.....
PD's signature

**SPECIMEN SIGNATURES
OF RECOGNIZED DEALER IN AUCTIONS
OF TREASURY BILLS**

Page:

Code and abbreviated name of RD:

Full name of RD:

Registered address of RD:

The persons given hereunder are authorised to confirm by signature the bids of the aforementioned recognized dealer in auctions of Treasury bills.

	First name and surname Position	Telephone no. Fax no.	Signature
1			
2			
3			
4			
5			
6			
7			
8			

At, date

.....
RD's signature

Annex 2. Algorithm and processing of bids

The Manner of Submitting Bids for a GB Auction

(1) The auction usually comprises of the competitive and non-competitive part. PD and / or RD submit their bids first to the competitive part of auction, in which 100 % of the total nominal value of the respective tranche of GB issue is offered. When results of the competitive part of the auction are released the non-competitive part of the auction can be opened, in which 20 % of the total nominal value of all tranches of GB issues offered in competitive parts of GB auctions that auction day, is offered. This amount shall be allocated to the respective offered GB tranches based on the results of the respective tranches in the competitive part of the GB auction. If the total nominal value of the GB issue offered in the competitive part of the GB auction is set as a range, for the purposes of setting the total nominal value offered in the non-competitive part of GB auction is used the mean value of this range. If the total nominal value of the GB issue offered in the competitive part of the GB auction is set as a maximum GB nominal amount, for the purposes of setting the total nominal value offered in the non-competitive part of GB auction is used this maximum GB nominal amount.

(2)

(3) The half of the total nominal value of the GB issue offered in the non-competitive part of the GB auction, i.e. 10 % of the total nominal value of the GB issue offered in the competitive part of the GB auction, may the individual PD buy in dependence on their performance usually in all competitive parts of the GB auctions in last three auction days. The second half of the total amount offered in the non-competitive part of the GB auction may the individual PD buy in dependence on their performance within the “Designated Electronic Trading System“ (hereinafter referred to as the “DETS”) which is specified in the Article IV. of Agreement. The performance in DETS is for the purpose of these Rules measured by fulfilment of PD quotation duty on monthly basis through so called Compliance ratio which is defined in the Annex 5 of the Agreement.

(4) The course of competitive part of the GB auction:

- a) if one of the parameters of the GB auction is the minimum acceptable price, bids with a price lower than the minimum acceptable price will be rejected,
- b) the part of issue sold in the competitive part of the GB auction shall be divided among the competitive bids in such a way that bids with a higher price are satisfied first,
- c) if the total nominal value of the bids at the minimum accepted price is bigger than the as yet undistributed remainder of the issue, then:
 - i) either the volume of the GB issue sold in the competitive part will be increased, so that all bids at the minimum accepted price might be fully satisfied; the bids with a lower price will be rejected,
 - ii) or all bids at the level of the minimum accepted price shall be proportionately reduced, i.e. multiplied by the allocation ratio. The result is rounded down to the nearest integer multiple of the minimum traded nominal value (individual pieces). If the whole amount of the GB issue is not subscribed in this manner, undistributed GB shall be distributed one by one among the reduced bids according to the remainder (part of the digit after the decimal point) sorted in descending order. In case of equality of remainders the time of bid submission shall decide. If there are equal times of submission the remaining undistributed bonds shall be distributed randomly.

- d) the minimum accepted price will be determined as the lowest price at which it is possible at the given total nominal value offered for the auction to satisfy the incoming bids at least partially,
- e) successful competitive bids are satisfied at the price at which they were submitted,
- f) the average price of the auction which will be stipulated as a weighted average of the prices of the satisfied competitive bids,
- g) the Issuer can change the allocation of satisfied bids among the participants of the auction if the nominal volume of the issue sold in the auction is decreased.

(5) The course of non-competitive part of the auction:

- a) when results of competitive part of the auction are released, maximum volume of every participants non-competitive bid is counted (hereinafter referred to as “non-competitive limit”). This non-competitive limit is defined by:

$$NL_i = 0,5 * S_N \left(\frac{\sum_{a=1}^A N_{ia}}{\sum_{a=1}^A \sum_{i=1}^{PD} N_{ia}} + \frac{\sum_{m=1}^M MCR_{im}}{\sum_{m=1}^M \sum_{i=1}^{PD} MCR_{im}} \right)$$

where:

- NL_i non-competitive limit of i -PD or RD (in CZK)
- S_N total nominal value of the GB issue offered in the non-competitive part of the current GB auction.
- N_{ia} the total nominal volume of GB bought by i -PD in the competitive part of the a -GB auction.
- PD number of PD
- A number of consecutive GB auctions including the current one which are relevant for non-competitive limit determination
- MCR_{im} compliance ratio of i -PD in m -month
- M number of consecutive months set by the issuer before the month in which the current competitive part of the GB auction is held and which are relevant for non-competitive limit determination.

(6) For the satisfied bids shall be calculated corresponding yield to maturity as percentage p.a. The relationship between the yield to maturity (YTM) and the price is defined by:

$$P = \sum_{i=1}^N \frac{S_i}{(1+y)^i}$$

where:

- P ... PD's or RD's bid price
- S_i ... sum of payments obtained by the owner of the GB in year i (interest paid and repayment of nominal value)
- y ... annual yield to maturity (in decimal format)
- N ... maturity in years.

(7) In case of submitting bids for an auction in the yield are adequately used above mentioned provision.

The Manner of Bids Processing in the T-Bill auction

(1) Non-competitive orders shall be processed ahead of competitive orders. Non-competitive orders shall be satisfied at a price corresponding to the average yield achieved in the competitive orders rounded to two decimal places. The remainder of the issue shall be split among the competitive orders in accordance with the set auction algorithm.

(2) The individual competitive orders submitted by each PD or RD shall be processed according to the yield of the order in sequence from the lowest to the highest.

(3) No order submitted by a PD or RD shall be processed if the condition provided in Article VIII.(9) of the Rules is not fulfilled.

(4) Unless stipulated otherwise, orders shall be submitted with the yield given to three decimal places.

(5) The value of each order must be exactly divisible by the face value of the T-bill being offered.

(6) Individual PD's or RD's bid shall not be processed in case processing this bid would breach the PD's or RD's limit stipulated in Article 9 (1) of the Rules. In case non-processing this bid would reduce the total bid amount below the auction limit the bid volume shall be reduced so that the total bid amount equals the auction limit.

Annex 3. Authorised persons and contact addresses of the CNB

(1) The list of authorised members of staff of the CNB and their specimen signatures on the form on the following page will be distributed to all PD and RD.

(2) The specimen signatures of the authorised members of staff of the CNB auction venue shall be authorised by the Executive Director of the CNB's Financial Markets Department.

**SPECIMEN SIGNATURES
OF AUTHORISED MEMBERS OF STAFF
OF THE CNB AUCTION VENUE**

	First name and surname	Telephone no.	Signature
1			
2			
3			
4			
5			
6			
7			
8			

At Prague, date

.....
Executive Director of the
CNB's Financial Markets Department

CONTACT INFORMATION OF THE CNB AUCTION VENUE

Name:

Registered address:

Contact address for sending correspondence:

Name of the department	Telephone no. Fax no.	Address

Contact address for sending prospective complains about the manner of settling a claim:

Name of the department	Address

At Prague, date

.....
On behalf of CNB