



## REPUBLIC OF SRPSKA MINISTRY OF FINANCE

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Number: 06.01/020-1847/11  
Date: 14 November 2011

Pursuant to article 7, par. 5 of the Debts, Borrowings and Guarantees Act of the Republic of Srpska (''Official Gazette of the Republic of Srpska'', no. 30/07 & 29/10), Decree on conditions, procedure for the emission and elements of primary treasury gilts market (''Official Gazette of the Republic of Srpska'', no: 25/11), Decisions on short-term borrowing of the Republic of Srpska by way of the emission of treasury gilts (''Official Gazette of the Republic of Srpska'', no.37/11) and article 82, par. 2 of the Republic Government Act (''Official Gazette of the Republic of Srpska'', nos: 118/08, 11/09, 74/10 and 86/10), the Minister of Finance, hereby **promulgates**

### DECISION on the issuance of treasury gilts of the Republic of Srpska

1. The Republic of Srpska shall issue treasury gilts for the reason of funding temporary budget deficit resulting from the cash flow.
2. Basic elements of the treasury gilt under article 1 of this Decision are:
  - The Issuer: the Republic of Srpska
  - Planned emission amount: 36.500.000,00 BAM
  - Nominal value of the treasury gilt: 10.000,00 BAM
  - Auction date: 29 November 2011,
  - Registration date: 30 November 2011,
  - Due date: 30 July 2011.
3. Ministry of Finance of the Republic of Srpska (hereinafter: the Ministry) shall announce the Call for participation in treasury gilts auction on web pages of the Ministry and Banja Luka Stock Exchange, not later than seven days prior to the auction date.
4. Treasury gilts shall be issued in non-materialised form and shall be registered with Central Securities Register, jsc Banja Luka (hereinafter: Central Register).
5. Treasury gilts are registered by name.
6. Unique discount price of treasury gilts shall be established at the time of the primary sale of gilts in auction.

The amount of discount price of treasury gilts shall be calculated per annum according to the following formula:

$$C = 100 - 100 * d * i / 365 + d * i$$

C = discount price  
d = days before due  
i = interest rate/100

Discount price in the bid is expressed with four decimals.

Discounted value of the bid is expressed as the sum of discount price and the quantity of treasury gilts the bidder intends to buy at the auction.

7. The Ministry reserves the right to accept the bid in its entirety, in part or to refuse all purchase bids.
8. Propriety over treasury gilts shall be gained on the day of the entry of treasury gilts in corresponding securities accounts managed at the Central Register.
9. Treasury gilts under article 2 of this Decision can be bought off prior to the maturity date, in compliance with article 17 of the Decree on the Conditions, procedure for the issuance and elements of primary treasury gilts market.

## *Rationale*

The Republic of Srpska – Ministry of Finance conducted the first auction in treasury gilts in the Republic of Srpska on 11 May 2011. That was also the first auction in treasury gilts in Bosnia and Herzegovina.

Realised amount of the issuance of treasury gilts in the first auction is 36,0 million BAM, and total amount of submitted bids amounted to 83,9 million BAM. The highest bid price amounted to 98,9086 BAM (this price represents an interest rate of 2,2009%), the lowest bid price amounted to 97,5609 BAM (this price represents interest rate of 4,9865%), and unique balanced price amounted to 98,7740 BAM (this price represents interest rate of 2,4757%).

Maturity of the first issuance of treasury gilts of the Republic of Srpska occurred on 11.11.2011 and the same day proprietors of this issuance of treasury gilts were paid in the assets based on due gilts in the amount of 36 million BAM, wherewith the total debt based on the first issuance of treasury gilts was settled/closed.

The second issuance of treasury gilts in the Republic of Srpska occurred on 20 June 2011. Realised amount of the issuance of treasury gilts in the auction is 28,3 million BAM, and the total amount of submitted bids amounts to 65,1 million BAM. The highest bid price amounted to 98,5273 BAM (this price represents interest rate of 1,9984%), the lowest bid price amounted to 96,3978 BAM (this price represents interest rate of 4,9961%), and unique balance price amounted to 97,6632 BAM (this price represents interest rate of 3,199%).

Note that the auctions and the issuance of treasury gilts are conducted with the aim to develop financial market of the Republic of Srpska, and to bypass short-term discordance between revenues and expenditures in the budget of the Republic of Srpska, wherewith the National Assembly of the Republic of Srpska has enacted the Decision on the short-term borrowing of the Republic of Srpska by way of the issuance of treasury gilts (''Official Gazette of the Republic of Srpska'', no. 37/11).

In compliance with the cited Decision during a budget year, borrowing by way of the issuance of treasury gilts must not exceed the amount of 5% of regular revenues realised in the previous budget year, i.e.:

1. Maximum amount of the issued principal and borrowing interest, throughout 2011, cannot exceed 65 million BAM.
2. Interest rate based on the stated type of borrowing, cannot exceed relevant ''EURIBOR'' +4,25%,
3. Maturity date cannot exceed one year.

Pursuant to the mentioned Decision and the second issuance of treasury gilts in the amount of 2.830 of treasury gilts with nominal value of 10.000 BAM per gilt, the third auction of treasury gilts of the Republic of Srpska is planned for 29 November 2011, under conditions defined in this Decision.

Planned amount of the third auction shall not exceed 36,5 million BAM, and the actual amount of the issuance shall be known after closing the auction according to unique balance price.

Buyers of treasury gilts, who have entered into this transaction, shall pay the assets to the account of the Ministry of Finance of RS opened at the NLB Razvojna Bank no: 562-099-80970167-12, not later than 10:00, 30 November 2011.

After the Buyer have paid in the assets, Ministry of Finance of RS shall submit a request of the Central register to register the securities. This registration shall be effected not later than 16:00, 30 November 2011.

After registration, the Central Register shall inform the Banja Luka Stock Exchange, who shall place the treasury gilts on the stock market.

Where applicable, Ministry of Finance of RS can announce a Call for early repurchase of treasury gilts under article 2 of this Decision. The Decision on early redemption is issued by the Minister of Finance, and the public announcement of early repurchase shall be posted on the web page of the Ministry and the web page of the Banja Luka Stock Exchange five day of repurchase.

**MINISTER OF FINANCE**  
**Zoran Tegeltija, Ph.D.**