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Regulation on Monetary Operations of the National Bank Georgia

Chapter 1. General Provisions

Article 1. Purpose

1. This regulation regulates monetary operations of the National Bank of Georgia (hereunder, NBG).
2. Monetary operations of NBG include issuance of own securities, open market operations, lending and deposit operations, conducting foreign exchange auctions and foreign exchange Options Auctions.
3. NBG conducts its monetary operations according to the Organic Law on the National Bank of Georgia.
4. NBG determines the certain parameters of its monetary operations, including its volume, minimum and maximum (if applicable) interest rates and/or exchange rates, term of instruments, total nominal value and individual limits (if necessary), ratio of loan principal plus accrued interest to the applicable collateral.
5. NBG conducts its monetary operations in the national currency.
6. NBG conducts its monetary operations with resident commercial banks and with the branches of non-resident commercial banks operated in Georgia (hereunder, banks), which have respective accounts at NBG.

Article 2. Definitions

Terms used for the purposes of this regulation have the following meanings:

- a) Securities – debt securities issued by the National Bank of Georgia, issued by the Government of Georgia and/or on behalf of the Government of Georgia and/or directly and unconditionally guaranteed debt securities;
- b) Registry of securities – electronic records in the Securities Settlement System (CSD), where there is information about the owners and nominal owners of government securities;
- c) Announced issue – the total nominal value of securities to be sold by the issuer;
- d) Registration number of an issue – unique number assigned to each issue of securities;
- e) Amount auctioned – the amount announced by the auction notification, if monetary operation is conducted through auction;
- f) Purchase date – the date, when the auction is conducted;
- g) Maturity date – the date, when the redemption of securities must take place;
- h) Bloomberg system – electronic trading and dealing system;
- i) Multiple price method - method of conducting an auction, when each winning bid is satisfied according to the price (yield) indicated in the bid;
- j) Nominal value - amount, which the issuer pays to the holder of the security at maturity;

- k) Amount of discount - difference between the nominal value and the settlement/purchase price of a security;
- l) Coupon - the fixed amount of interest, which the owner of a security receives at predetermined dates for a predetermined period of time;
- m) Settlement price – price, which the buyer pays the seller for a security on the settlement date;
- n) Maximum yield – yield above which NBG will not sell a financial instrument;
- o) Minimum yield - yield below which NBG will not sell a financial instrument;
- p) Weighted average yield - average weighted yield, calculated according to the winning competitive bids of a certain auction;
- q) Weighted average price – weighted average price as calculated on the basis of a certain auction;
- r) Nominal owner – intermediary company operating on the securities market to which the owner of securities grants a written permission to deposit and manage the securities on its account in CSD;
- s) Loan obligation – the sum of the principal, accrued interest, additional interest on overdue loans and/or other obligations towards NBG in case of violating the terms and conditions of a loan;
- t) Loan – refinancing loan and/or 1M Open Market Instrument (1M OMI) and/or overnight loans of NBG;
- u) Maturity day of a loan – day on which the repayment of principal and accrued interest takes place;
- v) Price – the value of a financial instrument cited as yields or monetary values;
- w) Business day – business day as determined by relevant laws of Georgia or as announced by NBG when RTGS and CSD are operating;
- x) Settlement account – accounts of commercial banks and NBG in RTGS;
- y) Canceled;
- z) Canceled;
- za) Canceled;
- zb) Theoretical market interest rate – Yield on securities calculated according the methodology of NBG;
- zc) Canceled;
- ze) Canceled;
- zf) Canceled;
- zg) Canceled;
- zh) Canceled;
- zi) International Financial Institution (IFI) – International organizations defined in Article 5, paragraph 3 of the Organic Law of Georgia on the National Bank of Georgia.

Chapter 2. General Rule for Monetary Operations

Article 3. Collateral for Monetary Operations

1. Monetary operations which consist of lending funds to banks require appropriate collaterals.
2. Types and criteria of collateral for monetary operations are determined by NBG.
3. If the loan is not repaid by a bank, NBG initiates the execution of pledged securities according to relevant rules on the following business day of the loan repayment day.

Article 4. Communication Associated with Monetary Operations

1. NBG sends electronic notifications to banks regarding its monetary operations.
2. Unless otherwise required by relevant regulations, banks are notified regarding monetary operations one business day prior to the day of conducting monetary operations.
3. Banks submit to NBG appropriate bids for monetary operations via Bloomberg system or via Swift-authorized electronic messages. The mean for submitting their bids is notified to banks by NBG beforehand.
4. If NBG refuses to allocate a loan to a bank, the bank is notified about it by the same means as the bid was submitted.
5. If a monetary operation involves conducting an auction, auction results are sent to banks no later than one hour after the conclusion of an auction, unless otherwise stated in this regulation. Auction results are notified to banks by the same means as the bids were submitted.
6. General information regarding auction results is published on the website of NBG, after the completion of an auction, but no later than 18:00 on the auction day.

Article 5. Submission of Bids for Monetary Operations

1. A bank complies with the decision to be involved in a monetary operation by submitting bids and is obliged to comply with any requirements set forth by this regulation.
2. NBG rejects any bids submitted after the predetermined time and/or that includes insufficient information, is incorrectly filled out and/or is inadequate to the preannounced parameters.
3. A bank has the right to withdraw and/or cancel its bids and submit a new bid before the start of an auction. It is prohibited to withdraw and/or modify submitted bids after the auction has started.

Article 6. Organization of Monetary Operations

1. Monetary operations are executed by the Market Operations Group (MOG) of NBG.
2. In case of any technical difficulties, MOG is authorized to change the time of any monetary operation, i.e. the time for submitted the bids, time of an auction and time for announcing the auction results.
3. If technical problems may cause the auction to be conducted improperly, NBG has right to cancel the auction.
4. NBG has right to cancel the auction without indicating the reasons for such behavior. Banks are immediately notified by the same means as the auction was announced.
5. Settlement operations related to monetary operations are executed via the Real-time Gross Settlement System (RTGS) and Securities Settlement System (CSD) operated by the NBG in compliance with this regulation and respective system rules.
6. If there are insufficient funds on the balances of correspondent account(s) of a bank in order to repay any outstanding loans to NBG, NBG has the right to satisfy its claim towards the bank in compliance with relevant laws in place.

Article 7. Rules of Auctions for Monetary Operations

1. NBG may use auction methods in execution of its monetary operations.
2. Auctions are conducted according to multiple price method.
3. NBG purchases or sells financial instruments while executing monetary operations via auctions in compliance with this regulation.
4. The following instruments may be auctioned:

- a) securities;
 - b) refinancing loan and 1MOMI;
 - c) foreign currencies (spot).
5. Sale auctions include:
- a) refinancing loan and 1MOMI auction;
 - b) CD issuance auction;
 - c) securities issuance auction;
 - d) foreign currency auction.
6. Purchase auctions include:
- a) purchase of securities auction;
 - b) purchase of foreign currency auction.
7. Winning bids on auctions are determined in compliance with the following rule:
- a) bids received on a sale auction is sorted as follows:
 - i) in case of securities:
 - 1) In case of one security - by ascending sorting;
 - 2) In case of a multiple securities – by ascending order of the interest rates derived from the difference between Theoretical Market interest rate and Auction interest rate.
 - ii) in case of refinancing loan and 1M OMI – descending sorting;
 - iii) in case of foreign exchange auctions – descending sorting;
 - iv) in case of foreign exchange options auctions – option premium descending sorting.
 - b) bids received on a purchase auction is sorted as follows:
 - i) in case of securities:
 - 1) In case of one security - by descending sorting;
 - 2) In case of a multiple securities – by descending order of the interest rates derived from the difference between Theoretical Market interest rate and Auction interest rate.
 - ii) in case of foreign exchange auctions – ascending sorting.
8. Bids at the top of the list are satisfied first, followed by the next bid in line and the auction is finished when the sum of allocated volumes is equal to the volume of the preannounced issue or if the prices or interest rates (yields for securities) are equal to preannounced limits (minimum or maximum) for prices or interest rates (yields for securities).
9. If at the end of the auction there are several bids with equal prices or interest rates (yields for securities) and the sum of nominal values of such bids is still more than the unallocated volume of a financial instrument, the bids will be satisfied proportionally.
10. Auctions are conducted in compliance with the terms and conditions indicated in the auction announcement notification of NBG.
11. Settlement is executed in accordance with the auction results on the day indicated in the auction announcement notification, but no later than T+3.

Chapter 3. Monetary Operations

Article 8. Refinancing Loans

1. Refinancing loan is a monetary operation instrument with which NBG provides liquidity to the banking system in order to manage its short-term liquidity and to influence short-term money market rates.
2. Refinancing loan is allocated to commercial banks by conducting an auction:
3. Auction announcement notification of NBG for refinancing loans includes the following information:
 - a) time and date of a refinancing loan auction;
 - b) total nominal value of the refinancing loan auction;
 - c) minimum interest rate for the refinancing loan;
 - d) settlement and repayment dates for the refinancing loan;
 - e) ratio of loan principal plus accrued interest to the applicable collateral;
 - f) time and means for submitting bids for the refinancing loan.
4. A bank should include the following information in its bid:
 - a) total nominal value of the refinancing loan;
 - b) minimum interest rate for the refinancing loan, up to 3 decimal places.
5. If a bid is satisfied on the refinancing loan auction, NBG will transfer the amount equal to the allocated loan to the correspondent account of a bank on the settlement date of the refinancing loan, no later than the end of appropriate business hours.
6. NBG executes the repayment of the principal and accrued interest of a loan via the settlement account of a bank without bank acceptance, no later than the end of appropriate business hours on the repayment date of the loan.
7. If there are no sufficient funds to repay the refinancing loan on the repayment date of the loan, additional interest will be accrued on the full amount of the principal with an interest rate equal to the overnight loan rate of NBG.
8. Bank is allowed to roll over the current refinancing loan into a new refinancing loan using the same collateral in order to repay the old loan to NBG. Under such circumstances, the current loan will be repaid immediately after the funds for the new loan are transferred to the settlement account of a bank.

Article 8¹. One Month Open Market Instrument

1. One Month Open Market Instrument (1MOMI) is a monetary operation instrument with which NBG provides liquidity to the banking system in order to manage its short-term liquidity and to influence short-term money market rates.
2. 1MOMI is allocated to commercial banks by conducting an auction:
3. Auction announcement notification of NBG for 1M OMI includes the following information:
 - a) Time and date of a 1MOMI auction;
 - b) Total nominal value of the 1MOMI auction;
 - c) Minimum interest rate for the 1MOMI;
 - d) Settlement and repayment dates for the 1MOMI;
 - e) Ratio of 1MOMI principal plus accrued interest to the applicable collateral;
 - f) Time and means for submitting bids for the 1MOMI.
4. A bank should include the following information in its bid:
 - a) Total nominal value of the 1MOMI;

b) Minimum interest rate for the 1MOMI, up to 3 decimal places.

5. If a bid is satisfied on the 1MOMI auction, NBG will transfer the amount equal to the allocated loan to the correspondent account of a bank on the settlement date of 1MOMI, no later than the end of appropriate business hours.
6. NBG executes the repayment of the principal and accrued interest of a 1MOMI via the settlement account of a bank without bank acceptance, no later than the end of appropriate business hours on the repayment date of the 1MOMI.
7. If there are no sufficient funds to repay the 1MOMI on the repayment date of the instrument, additional interest will be accrued on the full amount of the principal with an interest rate equal to the overnight loan rate of NBG.
8. Bank is allowed to roll over the current 1MOMI into a new 1MOMI using the same collateral in order to repay the old Instrument to NBG. Under such circumstances, the current Instrument will be repaid immediately after the funds for the new Instrument are transferred to the settlement account of a bank.

Article 9. Intraday Loan

1. NBG extends the intraday loan to banks in order to support sufficiency of liquidity of the banking system.
2. Banks can apply for an intraday loan via using intraday loan facility of CSD and RTGS systems during the appropriate business hours in accordance with the relevant system rules.
3. The necessity of using an intraday loan is determined by a bank, without any prior approval of NBG.
4. There is no interest rate for an intraday loan.
5. If a bank is unable to repay an intraday loan during the appropriate business hours, it is automatically transformed to an overnight loan as it is described in this regulation.

Article 10. Overnight Loan

1. Overnight loan of NBG is a standing facility instrument of the monetary policy with which NBG influences the ceiling of short-term money market interest rates.
2. NBG notification for an overnight loan includes the following:
 - a) interest rate of an overnight loan;
 - b) ratio of loan principal to the applicable collateral;
 - c) time and means to apply for an overnight loan application.
3. NBG will grant an overnight loan under the following circumstances:
 - a) on the basis of a loan application of a bank;
 - b) automatically without a loan application of a bank, via RTGS and CSD systems, if a bank has not repaid an intraday loan within the appropriate business hours. Under such circumstances, the principal of the overnight loan is equal to the amount of intraday loan which has not yet repaid by the bank at the cutoff time of the business hours.
4. A bank should include the following information in the overnight loan application:
 - a) settlement date of an overnight loan;
 - b) principal amount of an overnight loan.

5. If an overnight loan application is submitted correctly and in a timely manner, NBG will transfer an appropriate amount to the settlement account of the bank no later than the appropriate business hours of the same business day.
6. NBG executes the repayment of the principal and accrued interest of an overnight loan via the settlement account of a bank without bank acceptance, no later than the end of appropriate business hours on the repayment date of the loan.
7. If there are no sufficient funds to repay the loan on the repayment date of the loan, additional interest equal to 0.5 percent of the principal of the loan is accrued which is charged by NBG, without bank acceptance, from the settlement account of the bank before the end of relevant business hours.
8. Interest on an overnight loan is accrued for the number of calendar days between the settlement date and repayment date of the loan.

Article 11. Overnight Deposit

1. Overnight deposit of NBG is a standing facility instrument of the monetary policy with which NBG influences the floor of short-term money market interest rates.
2. NBG notifies banks about changes in the overnight deposit interest rate via acceptable electronic means of information exchange at least one business day prior to the new interest rate taking effect.
3. Banks can use overnight deposit standing facility of NBG without prior notice to NBG on every business day, before the end of appropriate business hours.
4. The amount of an overnight deposit is determined by a bank on its own discretion.
5. In order to use overnight deposit standing facility of NBG, a bank should deposit funds on its overnight deposit account at NBG via an appropriate transfer order through RTGS.
6. On the following business day, immediately upon the start of appropriate business hours, NBG transfers overnight deposit principal and accrued interest to the settlement account of a bank.
7. Interest on an overnight deposit is accrued for the number of calendar days between the deposit date and repayment date of the deposit.

Article 12. Certificates of Deposit of NBG

1. Certificate of deposit (CD) of NBG is a short-term discount debt security issued by NBG for the purposes of monetary operations to absorb excess liquidity from the banking system.
2. CDs are issued and registered in a dematerialized form.
3. Issuance, registration, trading and pledging operations of CDs are executed and recorded in the Securities Settlement System according to the relevant system rules.
4. NBG assigns ISO-6166 standard ISIN to each issue of CDs and registers in the Securities Settlement System.
5. ISIN of a CD consists of 12 symbols as follows:
 - a) the first and second symbols identify the international country code: "GE";
 - b) the third symbol identifies the issuer, NBG: "B";
 - c) the fourth symbol identifies the type of security, NBG CD as a discount security: "D";
 - f) the fifth and sixth symbols identify the maturity year of the security: the last two digits of the maturity year;
 - g) the seventh symbol identifies the maturity month of the security: 1-9 identify the months from January to September, "A" is October, "B" is November, "C" is December;

- h) the eighth and ninth symbols identify the calendar day of the maturity day of the security;
 - i) the tenth and eleventh symbols identify the issue number of the security;
 - j) the twelfth symbol is a control digit (key), which is calculated using the prior eleven symbols in accordance to ISO-6166 standard;
6. Nominal value of one CD is 1,000 (one thousand) Georgian Lari.
 7. CDs are issued at discount with maturities of up to one year and are redeemed with their nominal value.
 8. Only Commercial Banks and International Financial Institution (IFI) have right to possess and dispose NBG CDs. IFIs can purchase NBG CD on primary auction only through Commercial Banks.
 9. Primary placement of CDs is conducted via an auction.
 10. In its sole discretion, NBG can issue CDs at a primary auction with a fixed rate.
 11. NBG notifies banks about CD auctions at least one day prior to the auction.
 12. CD auction notification of NBG consists of the following information:
 - a) time and date of the auction;
 - b) ISIN of the issue;
 - c) number of CDs to be auctioned;
 - d) settlement date;
 - e) maturity date of the issue;
 - f) bidding time and the means of submitting bids.
 13. The submission of bids for CDs starts on the day of the auction, 15 (fifteen) minutes before the start of the auction and ends when the auction starts.
 14. Bids of banks are required to include the following information:
 - a) number of securities they are willing to purchase;
 - b) annual yield.
 15. The minimum acceptable bid of a bank is for 100 (one hundred) CDs.
 16. On the settlement day, no later than the end of the relevant business hours, the settlement accounts of banks with the winning bids will be automatically debited and appropriate funds will be transferred to the settlement account of NBG via CSD and RTGS.
 17. Pursuant to the conditions described in clause 16 of this article, if a bank has no sufficient funds on its settlement account to make settlements for its winning bids before the end of relevant business hours, all winning bids of a bank are annulled.
 18. The issuance of CDs shall be deemed as complete before the end of the business day of the settlement day, in the amount which equals to the completed transaction amounts of the winning bids transferred to the settlement account of NBG, and respective nominal value of securities registered in CSD.
 19. On the maturity date of CD, the funds equal to the nominal value of CDs will be transferred via CSD and RTGS from the settlement account of NBG to the settlement accounts of respective banks in line with the records in CSD.
 20. If the maturity date of CDs falls on a holiday, the redemption operation will be executed on the following business day.

Article 13. Open Market Operations

1. For its monetary policy purposes, NBG purchases and sells securities to regulate money supply through open market operations.
2. Settlement and accounting of securities trading operations, as a result of open market operations of NBG, are executed via RTGS and CSD according to the relevant system rules.
3. NBG purchases and sells securities on the secondary market via an auction.
4. The submission of bids by banks at the auction starts on the day of the auction, 15 (fifteen) minutes before the start of the auction and ends when the auction starts.
5. On the settlement day, no later than the end of the relevant business hours, the settlement operations according to the auction results are executed via CSD and RTGS.
6. Pursuant to the conditions described in clause 5 of this article, if a bank has no sufficient funds on its settlement account to make settlements for its winning bids before the end of relevant business hours, all winning bids of a bank are annulled.
7. If the maturity date of CDs falls on a holiday, the redemption operation will be executed on the following business day.

Article 14. Foreign Exchange Auction

1. Foreign exchange (FX) auction is a monetary and foreign exchange policy instrument with which NBG purchases or sells foreign currency on interbank foreign exchange market.
2. NBG sends a notification for an FX auction to banks no later than 1 (one) hour prior to the auction start time.
3. FX auction notification includes the following information:
 - a) time and date of the FX auction;
 - b) foreign currency to be auctioned;
 - c) auction type (purchase/sale);
 - d) amount to be purchased or sold;
 - e) if necessary, minimum and/or maximum acceptable exchange rates for bidding;
 - f) settlement date;
 - g) bidding time and the means of submitting bids.
4. The amount of foreign currency to be purchased or sold at an auction can be changed by NBG no later than the auction day, prior to the start of bidding.
5. Settlement for an FX auction takes place on T+1 basis, the very first business day following the auction when there is a business day in Georgia and in the issuer country of the auctioned foreign currency.
6. Bids of banks on an FX auction are required to include the following information:
 - a) amount of foreign currency willing to be purchased or sold;
 - b) price for purchasing or selling foreign currency (in the same format as the official exchange rate is quoted).
7. Each bank is allowed to submit only one bid on an FX auction.
8. In case of foreign currency sale auction, on the settlement date, in compliance with the satisfied bids, NBG charges the appropriate amounts from the national currency settlement accounts of winning banks and transfers appropriate amount of foreign currency to appropriate foreign currency correspondent accounts of the banks.

9. In case of foreign currency purchase auction, on the settlement date, in compliance with the satisfied bids, NBG charges the appropriate amounts from the foreign currency correspondent accounts of the winning banks and transfers appropriate amount of national currency to national currency settlement accounts of the banks.
10. If a bank does not have sufficient funds on its national currency settlement account before the second cut-off of RTGS on the auction settlement date, appropriate settlement operation will take place on the following business day.
11. If a bank is unable to transfer sufficient amount of foreign currency to make FX auction settlements to its foreign currency correspondent account at NBG before the end of business day of the issuer country of the foreign currency, the bank is obliged to pay the surcharge in the amount equal to 2% of the nominal value of purchased foreign currency. The value date of this transaction shall be the same as the FX auction settlement date.
12. If a bank does not have sufficient funds on its settlement accounts at NBG before the second cut-off of RTGS on the following business day of the auction settlement date, the winning binds of the bank will be annulled.
13. The amount of a surcharge is charged from the national currency settlement account of a bank; if a bank does not have sufficient funds on its national currency settlement account, the amount of the surcharge will be charged from the bank's US dollar correspondent account and/or other foreign currency correspondent account at NBG. The amount of a surcharge is calculated and charged using the official foreign exchange rates on the day of the transaction.

Article 14¹. Foreign Exchange Option Operations

1. Foreign Exchange Option (Option) is a monetary and foreign exchange policy instrument with which the Commercial Bank (Bank) has right to buy national currency from NBG if option execution conditions are met.
2. Bank has right to execute the option in those day/days when the official exchange rate of national currency is stronger than the average exchange rate of the previous 20 working days. The strike price of the auction is the official exchange rate on the day when an option is exercised, i.e. average exchange rate of the previous day.
3. NBG sells Options on auctions. It sends a notification for an Option auction to Banks no later than 1 (one) day prior to the auction start time.
4. Option auction notification includes the following information:
 - a) Time and date of the Option auction;
 - b) Amount of national currency NBG will auction;
 - c) Min/Max amount of submitted bids and amount of bidding increments;
 - d) Bidding time and the means of submitting bids;
 - e) If necessary minimum rate of premium;
 - f) Option execution period;
 - g) Option execution day declaration time;
 - h) Option execution bidding time and the means of submitting bids;
 - i) Option execution min amount and amount of bidding increments;
 - j) Option execution settlement instructions.
5. Bids of Banks on an Option auction are required to include the following information:
 - a) Demanded national currency amount;

- b) Option premium – percentage of the requested amount.
6. Each Bank is allowed to submit only one bid on an Option auction.
 7. Option premium should be paid on the next day of the Option auction.
 8. Option premium amount will be debited from Banks settlement account in national currency by NBG.
 9. If Bank fails to pay the premium, its option will be cancelled.
 10. In accordance to the auction results, NBG will maintain its record-keeping, where following information will be kept:
 - a) Amount of the Option bought;
 - b) Amount of executed Option and the residual;
 - c) Amount of paid Option premium.
 11. If Bank fails to execute the option during its usage period, it is cancelled. Already paid premium will not be returned to the bank.
 12. Option execution day is a day, when the official exchange rate of national currency is stronger than the average exchange rate of the previous 20 working days.
 13. When the official exchange rate of national currency will be available, NBG will define whether next day is an Option execution day or not.
 14. NBG will send Option execution notification to those commercial banks, who has residual Option.
 15. On Option execution day, Bank will initiate the option execution application in accordance to the information provided in Option notification.
 16. Option execution application should contain:
 - a) Desired national currency amount, which must not exceed the residual Option of a bank;
 - b) Official exchange rate of national currency on Option execution day.
 17. If provided application is correct, NBG will start Option execution transaction, otherwise it will be cancelled.
 18. NBG will update its record-keepings after the approval of an application.
 19. Option settlement is done at T+1 basis (if there is no holiday in currency pair issuer countries).
 20. In case of executing the option, Bank is obliged to transfer foreign currency to the corresponding account of the foreign currency in NBG.
 21. At the settlement day, NBG will debit foreign currency from Banks corresponding account and will transfer national currency to the Banks national currency settlement account.
 22. If a Bank does not have sufficient funds on its foreign currency settlement account before the second cut-off of RTGS on the Option settlement date, appropriate settlement operation will take place on the following business day.
 23. If a bank is unable to transfer sufficient amount of foreign currency to make Option settlements to its foreign currency correspondent account at NBG before the end of business day of the issuer country of the foreign currency, the bank is obliged to pay the surcharge in the amount equal to 2% of the nominal value of option execution application.
 24. If a Bank does not have sufficient funds on its foreign currency settlement accounts at NBG before the second cut-off of RTGS on the following business day of the Option settlement date, the option execution application of the Bank will be void.
 25. The amount of a surcharge is charged from the national currency settlement account of a bank; if a bank does not have sufficient funds on its national currency settlement account, the amount of the

surcharge will be charged from the Bank's US dollar correspondent account and/or other foreign currency correspondent account at NBG. The amount of a surcharge is calculated and charged using the official foreign exchange rates on the day of the transaction.

Chapter 4. Collateral Management of Monetary Operations

Article 15. (Canceled)

Article 16. (Canceled)

Article 17. (Canceled)

Article 18. (Canceled)

Chapter 5. Compliance with the Terms of the Regulation

Article 19. Prohibited Actions and Obligations of Banks

1. A bank is prohibited from engaging in such deals and actions which put it individually or along with third parties into a dominated position on money market and/or credit market, in addition from any manipulations that put it or third parties into an undeserved privileged position creating uncompetitive environment and possibility or threat of fixing interest rates and commissions.
2. While participating into government securities auctions, refinancing loans auctions and foreign exchange auctions banks are prohibited from the following:
 - a) Agreeing among each other regarding their bids prior to a certain auction;
 - b) Sharing information among each other regarding their bids before the end of a certain auction;
 - c) Using insider information or other information from a competitor bank engage into such actions that put them into an undeserved favorable position compared to other participants and/or third parties on an auction;
 - d) Bidding on behalf of and/or in favor of each other.
3. Banks are prohibited from engaging in such deals, on the basis of a prior agreement, on a secondary market that are aimed at manipulating with prices or yields of certain financial instruments.
4. Uncovering the actions by NBG as set forth in this article or on the basis of a profound suspicion, depending on the severity of misconduct, NBG has the right to ban a bank from participating in its auctions.
5. Banks are obliged to comply with the terms and requirements set forth in this regulation.
6. In case of infringement of the terms and conditions as set forth in this regulation from the side of the bank, the bank may temporarily be banned from using a certain monetary instrument as per the decision of NBG.

Annex 1. Settlement Prices

1. Settlement price of one CD is calculated as follows:

$$S_t \quad P = \frac{N}{1 + \left[\frac{D}{100} \times \frac{N}{365} \right]}$$

2. The settlement price of one bond is calculated as follows:

$$P = \frac{F}{\left(1 + \frac{i}{n}\right)^W} \left[\frac{R}{n} \times \frac{\left(1 - \frac{1}{\left(1 + \frac{i}{n}\right)^N}\right)}{\left(1 - \frac{1}{\left(1 + \frac{i}{n}\right)}\right)} + \frac{1}{\left(1 + \frac{i}{n}\right)^{N-1}} \right]$$

Where:

P – settlement/purchase price

F – the nominal value of the bond

i – expected rate of return

n – number of coupon payments

W – the difference between the purchase date of the bond and the next coupon payment date, divided by the number of days between coupon payments

R – the annual coupon rate divided by 100

N – the number of remaining coupon payments