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## AUCTION RULES FOR LITHUANIAN GOVERNMENT SECURITIES

NOTE: Only the Lithuanian version of these Rules shall be legally binding. This translation is done for information purposes alone. Every effort has been made to ensure accuracy of this publication. However, Nasdaq Vilnius does not assume any responsibility for any errors or omissions.

### I. GENERAL PROVISIONS

1. The Auction Rules for Lithuanian Government Securities (hereinafter the **Rules**) regulate newly issued, issued in addition to existing issues and early redemption securities of the Government of the Republic of Lithuania, the procedure for publishing information about offered or early redemption securities of the Government of the Republic of Lithuania as well as the results of the offering or redemption thereof.
2. The Rules have been prepared in accordance with the Rules for the issuance and trading of securities of the Government of the Republic of Lithuania approved by Resolution No 1329 of the Government of the Republic of Lithuania of 3 December 1997 (Official Gazette, 1997, No 112-2838; 2012, No 133-6776). In preparing the Rules, account was taken of the agreement between AB Nasdaq Vilnius and the Ministry of Finance of the Republic of Lithuania on the auctions of securities of the Government of the Republic of Lithuania and the Nasdaq Baltic Member Rules approved at the meeting of the Management Board of AB Nasdaq Vilnius by Minutes No 21-111 of 29 January 2021 which, among other things, establish the procedure and requirements for trading in financial instruments for Nasdaq Vilnius members.
3. The Rules or their amendments and supplements shall be adopted by the Management Board of Nasdaq Vilnius, having previously agreed in writing with the Ministry of Finance of the Republic of Lithuania and Nasdaq CSD SE operating in Lithuania through its branch (hereinafter the **Central Securities**

**Depository**). The Rules or their amendments and supplements shall enter into force upon their publication on the Nasdaq Vilnius website, unless another date of their entry into force is specified.

4. Terms used in the Rules:

- 4.1. **Auction** is a process in the order book during which orders to buy and sell newly issued, issued in addition to existing issues and early redemption securities of the Government of the Republic of Lithuania (hereinafter the Government Securities) are pooled and automatically executed and transactions are concluded in accordance with these Rules;
- 4.2. **Auction participants** shall mean Nasdaq Vilnius members who have the right granted by the Ministry of Finance of the Republic of Lithuania to participate in auctions and the right granted by Nasdaq Vilnius to participate in trading in the Debt Securities Market;
- 4.3. **Information disclosure system** is an electronic system consisting of hardware, software and communication equipment intended for the dissemination of information about issuers and securities issued by them, for the publication of decisions adopted by Nasdaq Vilnius and other information related to securities trading. The information made available via the information disclosure system is placed on the Nasdaq Vilnius website and/or the trading system.
- 4.4. **Order** is a legally binding offer entered in the order book submitted by an auction participant to buy or sell the specified number of Government securities on its own or a client's account on terms not worse than specified in the order;
- 4.5. **Market order** - an order to buy or sell a financial instrument by entering only the quantity of securities, without specifying the price;
- 4.6. **Trading system** is an electronic system consisting of hardware, software and communication equipment and intended for securities trading;
- 4.7. **Early redemption auction** is a process in the order book during which orders to buy and sell early redemption government securities are automatically executed and transactions are concluded in accordance with the conditions set forth in these Rules;
- 4.8. **Competitive auction market** is a segment of the trading system, a part of the debt securities market in which debt securities are subject to identical trading procedures and arrangements for pooling competitive orders and concluding transactions;
- 4.9. **Non-competitive auction market** is a segment of the trading system, a part of the debt securities market, in which the debt securities are subject to the same trading procedures and arrangements and is intended for the pooling of non-competitive orders and conclusion of transactions;
- 4.10. **Threshold yield** shall mean, in Government securities distribution auctions, the highest yield specified in the executed orders, and in early redemption auctions, the lowest yield specified in the executed orders.
- 4.11. **Competitive order** is an order by which an auction participant agrees to acquire (transfer in early redemption auctions) a specified amount of Government securities at the yield specified in the order.
- 4.12. **Non-competitive order** is an order by which an auction participant agrees in advance to acquire (transfer in early redemption auctions) a specified amount of Government securities at the weighted average yield determined during the auction or at a pre-announced yield.
- 4.13. **Data transmission system** means a system consisting of hardware, software and communication equipment for the transmission of information between an auction participant and a trading system. The data transmission system must comply with the requirements of the Nasdaq Vilnius Member Rules and trading rules.

- 4.14. **Government Securities** shall mean Government Bonds of the Republic of Lithuania (government securities with a maturity of more than one year), Treasury Bills of the Republic of Lithuania (government securities with a maturity of up to one year) and Eurobonds (issued under the Euro Medium Term Note Programme, EMTN Programme).
- 4.15. Other terms used in the Rules are consistent with the Law on Markets in Financial Instruments of the Republic of Lithuania, the Law on Securities of the Republic of Lithuania, the Rules for the Issuance and Trading of Securities of the Government of the Republic of Lithuania approved by Resolution No 1329 of the Government of the Republic of Lithuania of 3 December 1997, and the terms used in the Nasdaq Baltic Member Rules.

## II. AUCTION PARTICIPANTS

5. Only auction participants may participate in the auctions.
6. Auction participants are subject to the requirements of the Nasdaq Baltic Member Rules. Other requirements for auction participants may be established in agreements between the Ministry of Finance of the Republic of Lithuania and auction participants.
7. Auction participants shall participate in the auction on their own behalf, regardless of whether they place orders at auctions for the acquisition or transfer of Government Securities for their own account or for the account of a client.

## III. INFORMATION DISCLOSURE

8. Nasdaq Vilnius shall publish a preliminary schedule of Government Securities auctions via the information disclosure system by the first business day of each month:
  - 8.1. the date of the auction;
  - 8.2. the maturity of Government Securities in days (not announced for early redemption auctions);
  - 8.3. payment date;
  - 8.4. the date of redemption of Government Securities (not announced for early redemption auctions);
  - 8.5. the international securities identification number (ISIN code) of the issue.
9. Nasdaq Vilnius shall immediately, but not later than 1 business day before the beginning of the calendar week, include information about the forthcoming auction in the weekly calendar published on its website.
10. Nasdaq Vilnius shall publish the following information on offered or early redeemable Government Securities via the Nasdaq Vilnius information disclosure system no later than 5 business days prior to the auction:
  - 10.1. the ISIN code of the issue;
  - 10.2. the type of Government Securities (Government Bonds of the Republic of Lithuania, Treasury Bills of the Republic of Lithuania or Eurobonds);
  - 10.3. the volume of the issue to be issued or redeemed (if it is planned to announce it in advance in case of issue or early redemption of Government Securities);
  - 10.4. the currency in which the issue is denominated;

- 10.5. the nominal value of each security;
- 10.6. the maturity of Government Securities in days (only for the issuance of Government Securities);
- 10.7. In case Government Securities bear coupons (only for the issuance of Government Securities):
  - 10.7.1. the size of the coupon (if it is determined in advance when issuing Government Securities);
  - 10.7.2. the number of coupon payments per year;
  - 10.7.3. the dates of making coupon payments;
- 10.8. settlement date;
- 10.9. the date of redemption of Government Securities;
- 10.10. information that the yield threshold for a competitive order (when it has been decided to announce it in advance) or yield for a non-competitive order (when it has been decided to announce it in advance) will be determined. The yield threshold for a competitive order or yield for a non-competitive order will be announced via the Nasdaq Vilnius information disclosure system not later than 1 day before the auction;
- 10.11. which orders shall be accepted at the auction, competitive and/or non-competitive (when it is decided to conduct the auction in one order book);
- 10.12. other conditions.
- 11. Nasdaq Vilnius shall immediately disclose information on concluded transactions in the trading system (without specifying the parties to the transaction).
- 12. Nasdaq Vilnius shall immediately, but not later than by the end of the auction day, publish the following information via the information disclosure system:
  - 12.1. the ISIN code of the issue;
  - 12.2. the date of the auction;
  - 12.3. payment date;
  - 12.4. redemption date;
  - 12.5. the currency in which the issue is denominated (the euro);
  - 12.6. the nominal value of one Government Security (currency in which the issue is denominated);
  - 12.7. the amount of the coupon (if any);
  - 12.8. the total demand for Government Securities (supply, if early redemption of Government Securities has taken place) in competitive orders at nominal value (currency in which the issue is denominated);
  - 12.9. the total demand for Government Securities (supply, if early redemption of Government Securities has taken place) in non-competitive orders at nominal value (currency in which the issue is denominated);
  - 12.10. the lowest (highest, in case of early redemption of Government Securities) yield (in percentage);
  - 12.11. weighted average yield (in percentage);
  - 12.12. the highest (lowest, in case of early redemption of Government Securities) yield of executed orders (in percentage);

- 12.13. the amount of distributed (redeemed, in case of early redemption of Government Securities) Government Securities at nominal value (currency in which the issue is denominated);
- 12.14. turnover (the currency in which the issue is denominated).
- 13. Nasdaq Vilnius shall immediately, but not later than by the end of the auction day, place the following information in the table of results on its website:
  - 13.1. the ISIN code of the issue;
  - 13.2. the date of the auction;
  - 13.3. the currency in which the issue is denominated;
  - 13.4. the nominal value of one Government Security (currency in which the issue is denominated);
  - 13.5. the size of the coupon (if any) (only for the issuance of Government Securities);
  - 13.6. the lowest (highest, in case of early redemption of Government Securities) offered yield (in percentage);
  - 13.7. weighted average yield (in percentage);
  - 13.8. the highest (lowest, in case of early redemption of Government Securities) yield of executed orders (in percentage);
  - 13.9. the total demand for competitive orders (supply, if early redemption of Government Securities has taken place) at nominal value (currency in which the issue is denominated);
  - 13.10. the total demand for non-competitive orders (supply, if early redemption of Government Securities has taken place) at nominal value (currency in which the issue is denominated);
  - 13.11. the amount of distributed (redeemed, in case of early redemption of Government Securities) Government Securities at nominal value (currency in which the issue is denominated).

#### **IV. CONDUCTING OF AUCTIONS**

- 14. The offering or early redemption of Government Securities shall be carried out in competitive auction and/or non-competitive auction markets.
- 15. If, due to technical failures, an auction participant is unable to connect to the trading system, by decision of Nasdaq Vilnius, exceptionally, auction participants may submit orders by e-mail.
- 16. If due to technical failures several auction participants are unable to connect to the trading system, at the decision of Nasdaq Vilnius, the auction time may be extended by 30 minutes. The Ministry of Finance of the Republic of Lithuania may be informed of such a decision.
- 17. At the choice of the Ministry of Finance of the Republic of Lithuania, competitive and/or non-competitive orders may be submitted in an auction or early redemption auction.
- 18. At the choice of the Ministry of Finance of the Republic of Lithuania, the Government Securities distribution auction and early redemption auction conducted on the same day may be subject to the requirement that the auction participant's orders entered and executed in both auctions, in respect of the size of the order at nominal value, investor's category and client identification number, must match and in this case partial execution of orders in both auctions shall not be possible. Orders that do not meet this requirement shall be canceled.
- 19. Competitive and non-competitive orders shall be stored in separate order books.

20. Auction participants may submit, change, suspend or cancel orders to buy offered or sell early redemption Government Securities to the order books only in an automated manner through the Data Transmission System. The time when such actions may be performed is set out in Annex 1 to these Rules.
21. The order must contain:
  - 21.1. the order book code;
  - 21.2. yield of a Government Security in percentage. If a non-competitive order is submitted, it is submitted as a Market Order, by entering only the desired quantity of securities to buy or sell. If a competitive order is submitted, the tick size of the yield per Government Security must be equal to 0.005% while for Eurobonds – 0.001%;
  - 21.3. the order size is the number of Government Securities expressed in nominal value in the currency in which the issue is denominated;
  - 21.4. type of order: an order to buy when Government Securities are offered or an order to sell when Government Securities are redeemed prematurely;
  - 21.5. investor category: reference to the account for which the order was entered - the client's or the auction participant's;
  - 21.6. the client identification code provided by the auction participant;
  - 21.7. information required for settlements, as established in the decision of the Management Board of Nasdaq Vilnius;
  - 21.8. the short client identification code provided by the auction participant, if the order is entered for the client's account;
  - 21.9. client identification short code qualifier provided by the auction participant: indication as to whether the client is a legal or natural person, if the order is entered for the client's account;
  - 21.10. the short code of the execution decision maker provided by the auction participant;
  - 21.11. the short code of the investment decision maker provided by the auction participant, if the order was entered for the auction participant's own account.
22. At the expiration of the time limit for submission of orders, the orders shall be considered valid and may not be canceled or modified. Orders submitted after the deadline for submission of orders or those which do not comply with the conditions of these Rules shall be deemed invalid and shall be canceled.
23. If the total volume of non-competitive orders of an auction participant exceeds the maximum volume of non-competitive orders set for one auction participant in the auction conditions, Nasdaq Vilnius, based on the order submission time priority principle, shall cancel the auction participant's orders, starting with earliest orders received by which the maximum volume of non-competitive orders set for one auction participant is exceeded, and the all the subsequent orders received.
24. An auction shall be conducted in a closed-end manner, i.e. the information contained in the orders shall be disclosed only to employees authorized by Nasdaq Vilnius and the Ministry of Finance of the Republic of Lithuania. This restriction shall not apply to orders submitted by an auction participant. Auction participants only see orders submitted by them.
25. Upon expiry of the order submission period (Annex 1), Nasdaq Vilnius shall submit an order to sell Government Securities in case of offering Government Securities or an order to buy Government Securities in case of early redemption of Government Securities and conclusion of transactions in accordance with the conditions set by the Ministry of Finance of the Republic of Lithuania.
26. During an auction, competitive orders shall be executed by the yield indicated in them in accordance with the price priority principle, i.e. first the order with the lowest yield shall be executed, then the

successive order with higher yield until the yield set by the Ministry of Finance of the Republic of Lithuania is reached or the part of issues intended for competitive orders is distributed. During an early redemption auction, the order with the highest yield shall be executed first, followed by the order with the lower yield.

27. If several competitive orders are submitted with threshold yield, they shall be executed in proportion to their size.
28. Non-competitive orders shall be executed at the average yield of executed competitive orders or at a pre-announced yield, in proportion to their size.
29. An auction shall be deemed not to have taken place if:
  - 29.1. no competitive bid has been received or no non-competitive bid has been received when the auction is conducted only in the non-competitive auction market;
  - 29.2. the yields indicated in all competitive bids exceeded, and the yields in the early redemption auction did not reach the threshold set by the Ministry of Finance of the Republic of Lithuania.
30. In case of a Eurobond auction, Nasdaq Vilnius shall provide, within 30 minutes after concluding the transactions as set forth in Annex 1, the auction participants with the results of execution of their competitive and non-competitive orders separately by each order and aggregated order execution information, and the Central Securities Depository with the results of execution of competitive and non-competitive orders separately by the orders of each auction participant and the aggregated order execution information. The information shall be provided by e-mail in an encrypted xls computer file. The notification shall contain the following information:
  - 30.1. Order book ticker;
  - 30.2. ISIN code;
  - 30.3. Auction participant code;
  - 30.4. Order size in nominal value (in euros);
  - 30.5. Order capacity (client or own account);
  - 30.6. Yield (percentage);
  - 30.7. Transaction date;
  - 30.8. Transaction number;
  - 30.9. Settlement date;
  - 30.10. Common Reference Number: "EMTNDOMESTICTAP")
  - 30.11. Executed part at nominal value (in euros);
  - 30.12. Price;
  - 30.13. Turnover (in euros);

## V. SETTLEMENT

31. Each transaction concluded during the auction shall be settled following the principle of simultaneous delivery of financial instruments and the receipt of funds or vice versa (*Delivery versus Payment*). Cash payments shall be made in euros.
32. When calculating the prices of Government Securities, the conditions set out in Annex 2 to these Rules shall be complied with.

33. Settlement for transactions concluded in connection with the Treasury Bills of the Republic of Lithuania shall be made on the second business day after the auction, unless otherwise provided in the terms of the auction.
34. Settlement for transactions concluded for Government Bonds of the Republic of Lithuania shall be carried out on the second business day after the auction, unless otherwise provided in the terms of the auction.
35. Settlement for transactions concluded for Eurobonds shall be made on the fifth business day after the auction, unless otherwise provided in the terms of the auction.
36. Ownership of Government Securities transferred under transactions concluded during the auction shall pass on the settlement date referred to in paragraphs 33, 34 and 35 of these Rules.
37. Failure to settle for the transactions concluded during the auction on time shall result in the penalties specified in the agreements signed by the auction participants with the Ministry of Finance of the Republic of Lithuania.
38. In the case of terminated auction transactions, the amount of Government Securities distributed (redeemed if an early redemption of Government securities has been carried out) at the nominal value shall be reduced by the nominal value of the terminated transactions. Other auction results and weighted average yield shall not be recalculated.
39. The detailed settlement procedure for Treasury Bills of the Republic of Lithuania and for Government Bonds of the Republic of Lithuania is set out in the rules of Nasdaq CSD SE. The detailed settlement procedure for Eurobonds is set out in Annex 3 to these Rules, the rules of the Nasdaq CSD SE and the rules of the international securities depository Clearstream Banking SA Luxembourg.

## **VI. FEES FOR TRANSACTIONS CONCLUDED AT THE AUCTION**

40. The Ministry of Finance of the Republic of Lithuania shall pay for the services provided by Nasdaq Vilnius in accordance with the procedure established in the agreement with Nasdaq Vilnius. The Ministry of Finance of the Republic of Lithuania shall pay for the services provided by the Central Securities Depository in accordance with the procedure established in the agreement with the Central Securities Depository.

## **VII. INTELLECTUAL PROPERTY RIGHTS**

41. Nasdaq Vilnius undertakes to hold and maintain the copyrights, licenses and other intellectual property rights required to legally use the software used in the trading system.
42. The Ministry of Finance of the Republic of Lithuania must have all the necessary licenses and the right to use the hardware necessary for the transmission of data or other information related to the conducting of auctions or early redemption auctions.

## **VIII. APPLICABLE LAW AND SETTLEMENT OF DISPUTES**

43. All disputes arising between Nasdaq Vilnius and the Ministry of Finance of the Republic of Lithuania related to the application of these Rules or the exercising of the rights and performance of the obligations provided for in these Rules shall be settled by good faith agreement and negotiations in accordance with



the laws of the Republic of Lithuania. On failure to resolve a dispute in the above-mentioned ways, it shall be resolved in accordance with the procedure established by the laws of the Republic of Lithuania.

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Auction Rules for Lithuanian Government Securities  
Annex 1

**AUCTION TIMES**

**Competitive and non - competitive auction markets.**

Phase	Time	Auction operations		
		Submission of orders	Modification of orders	Cancellation of orders
Auction announcement, (introduction of basic conditions)	9.00–9.10	No	No	No
Acceptance of orders	9.00*-10.30	Yes	Yes	Yes
Auction closing time (IPMO)	10.30-11.10	Yes**	Yes**	Yes**
Execution of orders	11.10	No	No	No
Non-trading time	From 11.10	No	No	No
Explanations: Yes – Operations are allowed; No – Operations are prohibited or technically infeasible; * - Operations are not possible until the announcement of the auction (introduction of the principle conditions) ** - Applies only to orders submitted by Nasdaq Vilnius or the Ministry of Finance of the Republic of Lithuania for distribution or early redemption of Government Securities.				

## PROCEDURE FOR CALCULATING THE PRICES OF GOVERNMENT SECURITIES

### I. PROCEDURE FOR CALCULATING THE PRICE OF TREASURY BILLS OF THE REPUBLIC OF LITHUANIA AND GOVERNMENT BONDS OF THE REPUBLIC OF LITHUANIA

1. The method of counting days:
  - 1.1. When offering or redeeming Treasury Bills of the Republic of Lithuania before maturity, the ACT/360 method of counting days shall be applied, meaning that the actual number of days before the date of redemption of Government Securities shall be used and that a year is comprised of 360 days;
  - 1.2. When distributing or redeeming before maturity Government Bonds of the Republic of Lithuania, the ACT/ACT method of counting days shall be applied, meaning that the actual number of days before the date of redemption of Government Securities shall be used and that a year is comprised of the real number of days.
2. The price per Government Security (a Government Bond of the Republic of Lithuania or a Treasury Bill of the Republic of Lithuania) shall be calculated with the precision of six decimal places.
3. The transaction amount shall be calculated by multiplying the price of one Government Security by the number of Government Securities and rounding to two decimal places.
4. When issuing an additional issue of Government Bonds of the Republic of Lithuania or redeeming Government Bonds of the Republic of Lithuania before maturity, the price per Government Security shall be calculated including accrued interest.
5. Price calculation when selling or buying Treasury Bills of the Republic of Lithuania at an auction or early redemption auction:

$$K = N \times \frac{1}{1 + \frac{Y}{100} \times \frac{d}{360}},$$

6. Price calculation when Government Bonds of the Republic of Lithuania are sold or purchased at an auction or early redemption auction and when the payment or settlement date falls within any coupon period, except the last one:

#### 6.1. Cash flow:

when the transaction is concluded in the first period, it shall be calculated under the formula

$$S_1 = \frac{P}{H} \times \left( ma + \frac{da}{p_1} \right)$$

when the transaction is concluded in any period other than the first and last one, it shall be calculated under the formula

$$S_1 = S_{others}, S_{others} = \frac{P}{H}$$

6.2. Accrued interest:

when the transaction is concluded in the first period, it shall be calculated under the formula

$$A = \frac{P}{H} \times \sum_{j=1}^{ps} \frac{a_j}{p_j}$$

when the transaction is concluded in any period other than the first and last one, it shall be calculated under the formula

$$A = \frac{P}{H} \times \frac{a}{p}$$

6.3. The price shall be calculated under the formula:

$$K = \frac{S_1}{\left(1 + \frac{Y}{100}\right)^{\frac{1 + \left(\frac{d}{p} - 1\right) + m}{H}}} + \sum_{i=2}^{n-1} \frac{S_i}{\left(1 + \frac{Y}{100}\right)^{\frac{i + \left(\frac{d}{p} - 1\right) + m}{H}}} + \frac{S_n}{\left(1 + \frac{Y}{100}\right)^{\frac{n + \left(\frac{d}{p} - 1\right) + m + \left(\frac{dp}{pp} - 1\right) + mp}{H}}} + A$$

7. Price calculation when Government Bonds of the Republic of Lithuania are sold or purchased at auction and the payment or settlement date falls within the last coupon period:

7.1. Cash flow shall be calculated under the formula

$$S = N + \frac{P}{H} \times \left( mp + \frac{dp}{pp} \right),$$

7.2. Accrued interest shall be calculated under the formula:

$$A = \frac{P}{H} \times \sum_{j=1}^{psp} \frac{a_j}{pp_j}$$

7.3. The price shall be calculated under the formula:

$$K = \frac{S}{\left(1 + \frac{Y}{100}\right)^{\frac{\sum_{j=1}^{psp} \frac{d_j}{pp_j}}{H}}} + A$$

8. The arithmetic weighted average yield shall be rounded to three decimal places and calculated under the formula:

$$V = \frac{\sum_{i=1}^k Y_i \times sn_i}{SN},$$

9. If the Government Securities sold at an auction have coupons but the size of the coupon is not specified in the terms of the auction, the coupon size of those Government Securities shall be equal to the weighted average yield of the Government Securities distributed during a competitive auction. The coupon size shall be rounded to one decimal place in descending order.

10. Notations used in the calculations:

A – accrued interest included in the price of a Government Security;

a – the number of days when interest accrued outside the first and last real period;

a<sub>j</sub> – the number of days when interest accrued in the j<sup>th</sup> notional period falling within the real period in which the Government Securities are acquired;

D – duration of the Government Security in days;

d – the number of days from the date of payment or settlement to the nearest end of the notional or real period;

d<sub>j</sub> – the number of days from the date of payment or settlement (or the date of the missed coupon payment) to the date of the nearest missed coupon payment (or redemption date) in the j<sup>th</sup> notional period falling within the last real period;

da – the number of days (actual one, when Government Securities are valid) in the first notional period falling within the first real period;

H – the number of coupon payments per year (if the Government Bonds of the Republic of Lithuania do not have coupons, this number shall be considered to coincide with the usual number of coupon payments of other Government Bonds of the Republic of Lithuania);

m – the number of whole notional periods from the date of payment or settlement to the date of the first making of coupon payments in the first real period (value equal to zero when the first real period is short or standard or when the transaction is concluded in other than the first real period);

ma – the number of whole notional periods in the first real period from the date of payment to the date of the first making of coupon payments (value equal to zero when the first real period is a short or standard one);

mp – the number of whole notional periods in the last real period from the date of the penultimate payment of the coupon to the redemption date (value equal to zero when the last real period is a short or standard one);

N – nominal value per Government Security;

n – the number of coupon payments remaining from the payment or settlement date to the redemption (for bonds without coupons, the notional number of coupon payments);

K – the price of a Government Security;

k – the number of satisfied orders;

KB – the amount of the transaction that was not settled on time, calculated according to the results of the Auction or the Early Redemption Auction;

$P$  – the coupon size determined in the Auction, Early Redemption Auction or a pre-determined one;

$p$  – the duration in days of the notional or real period to which the payment or settlement date falls (when the securities are acquired in any period other than the last one);

$p_j$  – the duration in days of the  $j^{\text{th}}$  notional period falling into the first real period;

$pp$  – the duration in days of the last notional period falling into the last real period;

$pp_j$  – the duration in days of the  $j^{\text{th}}$  notional period falling into the last real period;

$ps$  – the number of notional periods in the first real period (if the value of this number is a fraction, it shall be rounded up);

$psp$  – the number of notional periods in the last real period (if the value of this number is a fraction, it shall be rounded up).

$sn_i$  – the amount offered in the  $i^{\text{th}}$  order according to the nominal value;

$SN$  – the sum of all securities sold under competitive orders at nominal value;

$Y$  – yield in percentage indicated in the order;

$Y_i$  – percentage yield indicated in the  $i^{\text{th}}$  order;

$Y_{\max}$  – the highest yield of transactions of the auction the transactions of which were not settled on time;

$V$  – the arithmetic weighted average yield

Payment dates are the dates on which payment is made for the first issue or for the reissue of previously issued Government Securities.

The first period is the first coupon period of a Government Security since the Security was first issued.

The notional coupon period is the standard coupon period for a Government Security, assuming that all coupon payments shall be made on the same relevant days of the relevant month (for example, coupon payment dates for Government Securities with interest paid twice a year shall be March 15<sup>th</sup> and September 15<sup>th</sup>, and as 365 days constitute a year, the notional periods shall be 184 days and 181 days long, although the real periods (first and last ones) may differ).

## II. PROCEDURE FOR CALCULATING THE PRICE OF EUROBONDS

### 11. The method of counting days:

- 11.1. The ACT/ACT method of counting days shall be used to calculate the Eurobond price, accrued interest and yield, which means that the actual number of days before the redemption date shall be used in the calculations and that a year is a real number of days. The ICMA (International Capital Market Association) standard shall be used.

### 12. Unless otherwise specified in the EMTN Programme:

- 12.1. The accrued interest calculated on Eurobonds shall be rounded at the precision of 12 decimal places;
- 12.2. The price of Eurobonds shall be calculated at the precision of 3 decimal places. Settlement amounts shall be rounded to two decimal places.
- 12.3. Accrued interest shall be added to the Eurobond price;

12.4. The size of the Eurobond coupon shall remain the same as set at the time of the first issue.

13. Eurobond price calculation:

13.1. Calculation of the fixed coupon Eurobond price according to the ICMA standard:

Price of Eurobonds issued under the EMTN Programme  $K = P + Ac$ , where

$$P = \sum_{i=1}^n \frac{CF_i}{(1 + Y/Fq)^{Li}}, \text{ where}$$

$P$  – Eurobonds price excluding accrued interest(clean price);

$n$  - number of coupon payments till maturity;

$CF_i$  – the amount paid at the end of the  $i^{\text{th}}$  period;

$Y$  – yield to maturity in decimals of Eurobonds issued under the EMTN Programme;

$Fq$  – number (frequency) of fixed income payments per annum;

$Li$  – number of fixed-income payment periods until the date of calculation of the fixed income at the end of the  $i$ -th period:

$$Li = t - m / k$$

$$Ac = \frac{100 * Fi * m}{Fq * k}, \text{ where}$$

$$Ac = \frac{100 * Fi * m}{Fq * k}, \text{ where}$$

$Ac$  – accrued interest;

$Fi$  – fixed annual income rate in decimals;

$m$  – number of the actual days for which accrued interest is calculated;

$k$  – the actual number of days over the period of coupon till calculation of accrued interest where the date of accrued interest calculation falls;

$t$  – the number of fixed income payments till the payment at the end of the  $i$ -th period.

**SETTLEMENT PROCEDURE FOR EUROBOND TRANSACTIONS****1. GENERAL PROVISIONS**

- 1.1. Settlement of transactions concluded with Eurobonds shall be carried out at the international securities depository Clearstream Banking SA Luxemburg (hereinafter the **CBL**) in accordance with [the rules established by this depository](#), as well as this Settlement Procedure for Transactions in Eurobonds (hereinafter the **Settlement Procedure**).
- 1.2. Partial settlement of transactions in Eurobonds shall not be allowed.
- 1.3. The Central Securities Depository shall represent the Ministry of Finance of the Republic of Lithuania in organizing and managing settlement for Eurobonds and act as a paying agent and account manager of the Ministry of Finance of the Republic of Lithuania.
- 1.4. In order to participate in Eurobond auctions, auction participants must be a participant in the international securities depository Euroclear Belgium or CBL, or have an agreement with the participant in the relevant depository under which the firm can settle securities and funds in payment systems through a system operated by Euroclear Belgium or CBL. In order to settle for transactions in Eurobonds, auction participants must provide the following information to Nasdaq Vilnius:
- 1.4.1. Receiving Agent's (*REAG*) BIC code: MGTCBEBEECL or CEDELULLXXX;
  - 1.4.2. The number of the auction participant's financial instruments and cash account opened with a Receiving Agent (*REAG*).
- 1.5. Auction participants must submit the information specified in paragraph 1.4 of this Settlement Procedure in the standard form established by Nasdaq Vilnius by e-mail (the form is attached to this Settlement Procedure). If this information changes, the auction participant must immediately submit updated information to Nasdaq Vilnius.

**2. SETTLEMENT OF EUROBOND TRANSACTIONS**

- 2.1. Settlement of transactions concluded with Eurobonds shall be made on the fifth business day after the auction, unless otherwise provided in the terms of the auction (hereinafter the **Settlement Date**).
- 2.2. Taking into account the information provided by Nasdaq Vilnius on the concluded transactions with Eurobonds, not later than one business day before the Settlement Day (by 5 pm):
- 2.2.1. the Ministry of Finance of the Republic of Lithuania must submit an instruction to deliver securities to the Central Securities Depository (*Free of Payment*) account in CBL;
  - 2.2.2. the Central Securities Depository, representing the Ministry of Finance of the Republic of Lithuania, must submit an instruction to receive securities from the Ministry of Finance of the Republic of Lithuania (*Free of Payment*) and instructions to receive funds from auction participants and deliver securities to auction participants (*Delivery versus Payment*).
  - 2.2.3. Auction participants must submit instructions to deliver funds to the Ministry of Finance of the Republic of Lithuania account in CBL and to receive securities from the Ministry of Finance of the Republic of Lithuania represented by the Central Securities Depository (*Delivery versus Payment*).



2.3. Taking into account the information provided by Nasdaq Vilnius on the concluded transactions with Eurobonds, on the Settlement Day:

- 2.3.1. the Ministry of Finance of the Republic of Lithuania, no later than by 10.00 am, shall transfer the newly distributed Eurobonds to the account opened in the name of the Central Securities Depository for the benefit of the Ministry of Finance of the Republic of Lithuania with the CBL;
- 2.3.2. Auction participants, no later than by 12.00, must generate the funds required for the settlement for Eurobond transactions in their accounts held with the CBL or Euroclear Belgium;
- 2.3.3. Eurobond transfers and cash settlements under concluded Eurobond transactions shall be executed in the CBL by 3.00 pm in accordance with the principle of simultaneity of securities transfers and cash settlements (*Delivery versus Payment*);
- 2.3.4. The Central Securities Depository shall transfer the funds received from auction participants for newly distributed Eurobonds to the account of the Ministry of Finance of the Republic of Lithuania held in the Target 2 system by 5 pm.

2.4. [Nasdaq CSD Operating Manual](#) provides additional guidance to auction participants on securities accounts, settlement instructions, and other related processes in the CBL.

### **3. SHORTAGE OF FUNDS AND SECURITIES**

3.1. If, in the course of the actions specified in paragraph 2.3 of this Settlement Procedure, a shortage of funds is found in the account of an auction participant required to deliver funds, the settlement for Eurobond transactions shall be transferred to the settlement instructions execution queue and re-executed in accordance with the CBL rules.

3.2. If, in the course of the actions specified in paragraph 2.3 of this Settlement Procedure, a shortage of securities is found in the account of the Ministry of Finance of the Republic of Lithuania in CBL, settlement of Eurobond transactions shall be transferred to the settlement instructions execution queue and re-executed in accordance with the CBL rules. If auction participants incur additional storage costs due to the storage of funds with the CBL (for example, they have to pay interest for the storage of funds), these costs shall be covered by the Ministry of Finance of the Republic of Lithuania.

**STANDARTINĖ INFORMACIJOS APIE ATSISKAITYMŲ AGENTĄ (ANGL. RECEIVING AGENT, REAG) PATEIKIMO FORMA (CLEARING AND SETTLEMENT INFORMATION APPLICABLE FOR LITHUANIAN GOVERNMENT EUROBONDS AUCTIONS)**

**Aukciono dalyvio pavadinimas** (angl. *Name of the Auction Participant*): Click or tap here to enter text.

**Registracijos numeris** (angl. *Registration number*): Click or tap here to enter text.

**Dalyvio ID** (angl. *Participant ID*): Click or tap here to enter text.

<b>Atsiskaitymų agento BIC kodas</b> <i>(Receiving Agent (REAG) BIC code):</i>	(please select one option/ pasirinkti vieną opciją):  <input type="checkbox"/> Clearstream Banking SA Luxemburg (CEDELULLXXX MGTCBEBEECL)  arba /or  <input type="checkbox"/> Euroclear Belgium (MGTCBEBEECL)
<b>Aukciono dalyvio sąskaitos, atidarytos pas atsiskaitymų agentą, numeris</b> (angl. <i>Receiving Agent (REAG) account number</i> ):	Click or tap here to enter text.

Pasirašydamas šią formą aukciono dalyvis patvirtina, kad šioje formoje pateikta informacija bus naudojama atsiskaitant už Euroobligacijų aukciono sandorius, susipažino su Lietuvos Respublikos Vyriausybės vertybinių popierių aukciono taisyklėmis ir įsipareigoja laikytis taisyklėse nustatytų reikalavimų.

*By signing this form the Auction Participant hereby confirms that information provided in this form shall be used for settling Eurobonds auction trades and has acquainted itself with the Auction rules of Lithuanian Government securities and undertakes to comply with the requirements stipulated in Auction Rules.*

Parašas/Signature:

Vardas/Pavardė ir pareigos/ Name and title:

Data/ Date:

Pasirašytą ir nuskanuotą formą prašome pateikti šiuo el. Pašto adresu/ Please sign and return scanned form to [tsbaltic@nasdaq.com](mailto:tsbaltic@nasdaq.com).