



## INSTRUCTION NO. 13/2021 OF 26 NOVEMBER

### INSTRUCTION ON THE ISSUANCE AND TRADING OF CENTRAL BANK CERTIFICATES

Considering the importance to initiate the process of promoting the development of a financial market in Timor-Leste.

Considering the current developments of the financial sector in Timor-Leste and the role that Central Bank should play to promote financial market in the country.

Considering that the Governing Board has endorsed a framework to promote such developments in its meeting which was held on 29 March 2017 including the introduction of the Central Bank Certificate.

Further considering the need to establish detail terms and conditions for the operations of the Central Bank Certificate.

Considering that, pursuant to the article 3, paragraph b) of the Decision of the Central Bank no. 113/2021, of 26<sup>th</sup> of August, the Central Bank can implement the subscription of Central Bank Certificates as an eligible investment option by banks, other licensed financial institutions, the Government and its autonomous agencies.

The Governor of the Central Bank of Timor-Leste, pursuant to the authority granted under article 4 of the referred Decision and article 46, no. 1, paragraph a) of the Law no. 5/2011 of 15 June, hereby resolves to approve the following Instruction:

#### CHAPTER I GENERAL PROVISIONS

##### Article 1 Definitions

In this Instruction the terms below shall have the following meaning:

- a). "BCTLCBC" means Certificate of Banco Central de Timor-Leste or Central Bank Certificate.
- b). "Central Depository for Securities" or "CDS system" means an electronic registration system of the Central Bank securities ownership.
- c). "Security Account" means, the account that used to hold BCTL securities and information on the cash position. All securities settlements will be made using the Security Account.
- d). "Issue Date" means the date, as specified in the invitation to tender, from which the life of the security starts.
- e). "Settlement date" means the day when the BCTL receives payment for the



security/securities purchased by the Participants at the auction and the day when a matured security is settled.

- f). "Maturity Date" means, the date when the redemption of BCTL securities takes place.
- g). "Delivery versus Payment" or "DvP" means a securities settlement mechanism that links a securities transfer to a funds transfer in such a way as to ensure that delivery occurs if and only if the corresponding payment occurs.
- h). "Free of Payment" or "FoP" is a transfer of securities without a corresponding transfer of funds.
- i). "Bid" means an amount offer for fixed price at an auction. Bids are to be submitted in terms of subscription amounts at discount yields/prices as announced at the time of auction.
- j). "Participant" means those entities registered with the BCTL, eligible to own or trade BCTLCBC.
- k). "Número Identifikasaun Ativu Nasionál" or "NIAN" means, a unique identification number based on the International Securities Identification Number (ISIN) issued by Banco Central de Timor-Leste to facilitate the identification of securities registered in BCTL.

## **Article 2**

### **Scope and applicability**

1. This Instruction establishes the terms and conditions for BCTLCBC and provides the rules on their issuance and trade.
2. This Instruction shall be applicable to all the Participants pursuant to the definition of this Instruction.

## **Article 3**

### **General provisions**

1. The BCTLCBC is a short-term transferable discount security issued by Banco Central de Timor-Leste.
2. BCTLCBC is a tradable short-term investment instrument and is issued monthly subject to the terms specified in this Instruction and any other rules as may be prescribed by the Central Bank from time to time.
3. The range of maturity of the BCTLCBC shall be of 13, 26, and 52 weeks.
4. The BCTLCBC is eligible to be used as collateral pledged when accessing any liquidity facility that offered by the Central Bank.

## **Article 4**

### **Issuance**

1. The BCTLCBC shall be issued in dematerialised form.
2. The BCTLCBC is issued through wholesale, fixed-price auctions.
3. The Central Bank sets the interest rate at the prevailing market rate at the time an auction takes place.
4. Participants who wish to purchase the securities offered in an auction may bid the amount they wish to invest pursuant to 0.

## **Article 5**

### **Registry**

1. The records of the Central Depository for Securities (CDS) shall be the authoritative source



of information about the ownership of BCTLCBC.

2. Each security registered in the CDS shall be identified by a unique identifier number ("NIAN").
3. The names of the legal owners of BCTLCBC shall be recorded in the CDS.
4. No transfer of ownership of BCTLCBC shall be effective until it is registered in the CDS.
5. The CDS shall record the names and signatures of each authorized person for each Participant, which shall be used to verify the authenticity of instructions submitted for the settlement of transfers.
6. Instructions may also be submitted using secure messaging system authorized by BCTL from time to time.
7. The BCTL as operator of the CDS shall indemnify holders of BCTLCBC against financial loss caused by registry errors based on evidence of an error by BCTL.
8. The CDS may produce statements and other documents that shall evidence the CDS records, but which cannot be used as collateral or as evidence of a securities holding except at the date and time the report was produced.

#### **Article 6**

##### **Participants**

1. The BCTLCBC auction is restricted to the participants defined in this Instruction.
2. The following are eligible as the Participants referred to in the previous paragraph:
  - a). Commercial banks;
  - b). Other Deposits Taking Institutions;
  - c). Insurance companies; and
  - d). Fintech companies.
3. The entities eligible as Participants referred to in the previous paragraphs that wish to participate in an auction of BCTLCBC shall register their interest with the Central Bank using the application form as provided in the Annex 1 of this Instruction for the attention of:

BANCO CENTRAL DE TIMOR-LESTE

Att: **Chief Investment Manager**  
Division of Investment Management  
Email: bctlinvest@bancocentral.tl

4. The Central Bank reserves the right to reject any application for registration or to cancel any such registration at any time.
5. The Central Bank may from time to time amend the list of entities eligible as Participants referred to in paragraph 2 above.
6. The Participants are required to open a Security Account which shall be an integral part of the application process required in paragraph 3 above.

#### **CHAPTER II**

##### **AUCTION PROCESSES**

#### **Article 7**

##### **Auction announcement**

1. Invitations to tender for BCTLCBC shall be made by the Central Bank at least three business days before the opening date of each tender through relevant means of communication.



2. The invitations to tender shall include, but not limited to the following information:
  - a). Amount of BCTLCBC being offered;
  - b). Auction window;
  - c). NIAN Identifier;
  - d). Issue date;
  - e). Maturity date;
  - f). Discount yield;
  - g). Terms and conditions of the offering, and
  - h). Other relevant information, as deemed necessary.
3. Each Bid shall be for a minimum lot of USD 100,000.00 face value and in multiples of USD 10,000.00 face value over this amount and shall use the system to be determined by the Central Bank.
4. No Bids may be cancelled once the Bid has been accepted.
5. The Central Bank may determine a different amount as described in the paragraph 3 above.

#### **Article 8**

##### **Auction decision**

1. The results of a tender shall be available from the Bank after 3:00 p.m. on the closing day of the auction.
2. In the event of an over-subscription, Bids shall be allotted on a pro rata basis.
3. In the event of under-subscription, awards shall be made for the amounts bid.
4. An auction is considered failed when the total amount of clearing Bids is less than USD 1,000,000.00.
5. Notice of acceptance or rejection of a Bid or any part thereof will be made available to each bidder as soon as possible after the auction.

### **CHAPTER III**

#### **TRADING AND SETTLEMENT ARRANGEMENTS**

#### **Article 9**

##### **Security Account**

1. Participants shall maintain a Security Account held at the Central Bank for the purpose of facilitating the settlement of BCTL securities.
2. Participants shall ensure that they have sufficient cash balance or maturing securities available in their Security Account prior to submitting a Bid in an auction session.
3. The decision to award during a bidding process is determined by the availability of funds in the Security Account.

#### **Article 10**

##### **Trading arrangements**

1. BCTLCBC may be traded among the Participants, in the terms of Article 6, no. 2 and no. 3 of this Instruction.
2. Holders of BCTLCBC securities may trade parts or whole amount of the security prior to its maturity date in which the price may be calculated using the market pricing convention established in Article 15, or as otherwise agreed between the two parties.
3. When a trade is concluded, security transfer forms contained in Annex 2 of this Instruction must be sent to the BCTL by both seller and buyer with matching details for the change of



ownership to be recorded in the CDS.

4. BCTL shall match the details on the forms submitted by the seller and buyer, including but not limited to the identities and account numbers of the selling and buying parties, the security's NIAN and quantity, the settlement date, the type of settlement (DvP, FoP), the settlement cash amount, and the DvP Code described in the next Article.
5. In the absence of an alternative arrangement being agreed between the parties, the standard settlement date shall be the third day following the trade date.
6. No trading in a security will be registered within three days of its maturity.

#### **Article 11**

##### **Settlement arrangements**

1. Settlements may take place on a "Delivery versus Payment" (DvP) basis or a "Free of Payment" (FoP) basis.
2. The basis for settlement shall be noted on the form in Annex 2.
3. DvP settlements will take place if, and only if, the details on the Buyer's form and the Seller's form match, and there are sufficient funds in the buyer's settlement account, and sufficient securities in the seller's Security Account.
4. DvP Settlements shall be identified by a unique transaction number ("DvP Code") used by both seller and buyer in the format SSSBBBYMMDDTTT as follows:
  - a). SSS = Seller code, from Bank/Financial Institution Identifier
  - b). BBB = Buyer Code
  - c). YYMMDD = transaction date
  - d). TTT = Transaction number, starting at 001 each transaction day
5. FoP securities settlements shall take place based on the details on the seller's form, without reference to the transferee's cash settlement account.

#### **Article 12**

##### **Collateral arrangements**

1. Securityholders may pledge all or part of their holdings of BCTLCBC to other Participants as collateral.
2. Collateral thus pledged will remain in the ownership of the pledging securityholder, but will not be available for trading.
3. Securityholders wishing to collateralize a security shall submit a request for collateralization using the form in Annex 3, including the conditions under which the collateral shall be released to either party.
4. On receipt of the request the BCTL shall move the collateralized securities to a securities collateral account.
5. The parties to a collateralization may release the collateral by submitting the form in Annex 4 of this Instruction.
6. In the absence of instructions envisaged in the previous point, collateralised securities will be redeemed at maturity in favour of the original securityholder.
7. When evidence that the relevant conditions have been met, the BCTL shall release the collateral to the owner or its counterparty as appropriate.

#### **Article 13**

##### **Securities lending arrangements**



1. Participants may lend or borrow BCTLCBC.
2. Aside from registering the change of beneficial ownership, the BCTL shall not record or administer specific securities lending arrangements in the register.
3. Thus, securities shall be transferred from the lender to the borrower by DvP or FoP as per normal purchase and sale arrangements.
4. The parties to the securities lending agreement shall be responsible for making their own contractual arrangements, including making and settling value claims, if any.

#### **Article 14**

##### **Repayment on maturity**

1. The BCTLCBC securities shall be redeemed at par on the maturity date starting after 2.00 p.m.
2. The proceeds referred to in the previous paragraph shall be credited to the holder's Security Account held at the Central Bank.
3. In the event the BCTLCBC mature on an official holiday, the settlement of such transaction will occur on the following business day.

#### **Article 15**

##### **Settlement Amount**

1. The settlement amount (cost price) of a successful Bid shall be calculated on the basis of a discount yield and actual/360-day convention.
2. The formula for calculating the settlement amount is **Face Value \* (1 -  $\frac{\text{Days to Maturity}}{360}$  \* Discount Yield)**.
3. The term discount yield referred to in the paragraph 1 above shall refer to the quoted interest rate.

### **CHAPTER IV SECURITY REGISTRATION**

#### **Article 16**

##### **Registration**

1. The BCTLCBC issued will be registered in the CDS system in the name of the registered successful bidder.
2. The registration of the securities in the CDS system may only be affected once payment has taken place.
3. The registration of securities, subject to the provisions of article 5, shall include, namely, the following information of the securities and their holders at issue date:
  - a). Name of the holder;
  - b). NIAN Identifier;
  - c). Face value (Principal) of BCTLCBC held;
  - d). Issue date and Maturity Date of the BCTLCBC;
  - e). Settlement amount of the BCTLCBC;
  - f). Discount Yield of the BCTLCBC; and
  - g). Such other information as it may, from time to time, be required by the Bank.
4. In the event that a Participant has insufficient funds in its account by the end of the settlement day to pay for newly issued securities, that participant's share of the issuance shall be cancelled and an administration fee shall be payable to BCTL by the participant.




5. A notification containing the details of the security(s) will be issued to the successful bidder as proof that the ownership of the security has been registered.

**CHAPTER V**  
**FINAL PROVISION**

**Article 17**  
**Entry into force**

This Instruction enters into force on the day of its publication.

The Governor,

  
Abraão de Vasconcelos

## Annex 1

Institution  
Logo

### Application Registration Form

**Important Information**

This form is intended for the entity who wishes to participate in investment program of Banco Central de Timor-Leste. By submitting this Application, your institution agrees to the Terms and Conditions set out in this Instruction.

BCTL relies on the information provided by you in this form, which constitutes your formal instruction to open a new account, in order to complete the required account setups prior to commencing trading activity in the BCTLInvest facility. Accordingly, it is important that the information provided by you is complete and accurate. You should also inform BCTL if any information provided by you in this form is no longer current. BCTL accepts no liability whatsoever, where it has relied on any information provided by you that is inaccurate, incomplete or no longer current.

It is your responsibility to prepare and provide this form to BCTL. In addition to the matters set out above, BCTL accepts no liability whatsoever arising from your failure to complete this form and provide it to BCTL on a timely basis.

Name of the Institution : \_\_\_\_\_  
Participant Code : \_\_\_\_\_  
Address : \_\_\_\_\_  
Phone Contact : \_\_\_\_\_  
Official Email : \_\_\_\_\_  
Settlement Account : \_\_\_\_\_  
Names of Authorised Signatories : \_\_\_\_\_  
Authorised signatures : \_\_\_\_\_

I hereby declared, on behalf of [institution name], that we will comply with the terms and conditions established by Banco Central de Timor-Leste.

Dili, xx xxxxx 202x

[Name of the CEO]



Annex 2

## Securities Transfer Form

FOR THE CONSIDERATION stated below the "Transferor(s)" named hereby transfer to the "Transferees(s)" named the securities specified below subject to the condition on which the said security are now held by the Transferor(s) and the Transferee(s) do hereby to accept and hold the said securities subject to the conditions.

☐ Free of Payment

☐ DvP Settlement Number \_\_\_\_\_

☐ Buyer

☐ Seller

Seller ID	:	_____
Seller Code	:	_____
Buyer ID	:	_____
Buyer Code	:	_____
Security ID	:	_____
Maturity Date	:	_____
Face Value	:	_____
Transaction Date	:	_____
Transaction Price	:	_____
Settlement Date	:	_____
Consideration	:	_____

We wish to inform the Central Bank that the above transaction has taken place as detailed above.

We request BCTL to register the transfer of BCTL Central Bank Certificates subject to the conditions set out in Instruction no. 13/2021 of 26 November, Instruction on the Issuance and Trading of Central Bank Certificates.

Dili, dd MMMM yyyy

[Name of CEO]



## Collateral Pledge Form

Date: \_\_\_\_\_

To: BCTLCBC Registrar

From: \_\_\_\_\_ Name of registered owner of securities to be collateralized ("Pledgor")  
\_\_\_\_\_ Security account number

Regarding the following security:

\_\_\_\_\_ NIAN of pledged security  
\_\_\_\_\_ Description of pledged security ("Security")  
\_\_\_\_\_ Maturity Date of pledged security  
\_\_\_\_\_ Amount (Face Value) of pledged security

WE, the Pledgor and Pledgee, request that the above pledge be registered in the BCLT Registry, under the following conditions:

1. The pledged security shall be registered into the Pledgor's Collateral Account and shall remain there until:
  - a. The Pledgor and Pledgee jointly submit a Collateral Release Form, in which case the Registrar shall transfer all or part the pledged security to the Pledgor or Pledgee as instructed on that form;
  - b. The Security matures, in which case the proceeds will be credited to the Pledgor's Settlement Account
2. The pledged security shall not be tradable while it is in the Pledgor's Collateral Account.
3. In the event of a dispute, the Registrar (BCTL) shall act in accordance with Orders of the Court, including but not limited to freezing the pledged security and transferring the security in accordance with the Court's decision.

\_\_\_\_\_  
Authorised signatories of Pledgor

\_\_\_\_\_  
Authorised signatories of Pledgee



## Collateral Release Form

Date: \_\_\_\_\_

To: BCTL CBC Registrar

From: \_\_\_\_\_ Name of registered owner of collateralized securities  
("Pledgor")  
\_\_\_\_\_ Security account number

Regarding the following security:

\_\_\_\_\_ NIAN of pledged security  
\_\_\_\_\_ Description of pledged security ("Security")  
\_\_\_\_\_ Maturity Date of pledged security  
\_\_\_\_\_ Amount (Face Value) of released security

Please register the release of a pledge given in favour of:

\_\_\_\_\_ Name of party to which the security is pledged  
("Pledgee")  
\_\_\_\_\_ Security account number  
\_\_\_\_\_ Effective Date

WE, the Pledgor and Pledgee, request that the release of above pledge be registered in the BCLT Registry, as follows:

1. The Securities are to be transferred from the Pledgor's Collateral Account to (select one):
  - ☐ The Pledgor's Security Account Number \_\_\_\_\_
  - ☐ The Pledgee's Security Account Number \_\_\_\_\_

\_\_\_\_\_  
Authorised signatories of Pledgor

\_\_\_\_\_  
Authorised signatories of Pledgee