



MINISTERUL FINANTELOR  
AL REPUBLICII MOLDOVA

# Investor' s guide to Government Securities

*„If you don't think about the future, you can't have it”*  
John Galsworthy



**Investing for maximum safety, predictability and high liquidity**

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### For more information contact:

#### Ministry of Finance of Republic of Moldova

7 Constantin Tănase str., Chisinau, MD 2005

Tel: (+373 22) 262-726

(+373 22) 262-815

E-mail: [elena.matveeva@mf.gov.md](mailto:elena.matveeva@mf.gov.md)

[olesea.friscu@mf.gov.md](mailto:olesea.friscu@mf.gov.md)

[www.mf.gov.md](http://www.mf.gov.md)

#### National Bank of Moldova

1 Grigore Vieru Avenue, Chisinau, MD 2005

Tel: (+373 22) 822-419

E-mail: [valeriu.stirbul@bnm.md](mailto:valeriu.stirbul@bnm.md)

[www.bnm.md](http://www.bnm.md)

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## Introduction

The brochure is intended for those who have an interest to invest in government securities (hereinafter GS) of the Republic of Moldova and would like to know more about the essential features of these financial instruments.

In the Republic of Moldova, the GS market was established in 1995. Since then, the Ministry of Finance, as the issuer of government securities, in cooperation with the National Bank of Moldova, as the fiscal agent of the state, have undertaken several measures in creating conditions for developing a modern financial market:

- organization of the primary market of GS based on principles of major transparency and fair competition of the participants;
- establishing the primary dealers system in order to ensure the underwriting of the GS and to develop the secondary market of GS;
- ensuring a high level of safety and security of the registration of the ownership identity over the GS in the system held by the Central Securities Depository.

## What are the government securities?

**Government securities** are financial instruments that attest the public debt in form of treasury bills and government bonds and represent short and long term government loans in national currency.

By investing in GS, you lend certain amounts of money to the government in order to support the development of the country's economy and investment activity, new job creation, etc., and at maturity the state will pay the invested amount and an interest.

If you invest in treasury bills, then you will get interest at maturity. If you invest in government bonds, you will get interest periodically (semiannually) in the form of coupons.

**Treasury bills** are issued at a discount and redeemed at the face value at maturity. The maturity of treasury bills is up to one year.

**Government bonds** are issued at discount, at face value, or with premium, with fixed or floating interest rate and are redeemed at face value at maturity. The maturity of government bonds is one year and more.

## Why should you invest in government securities?

### Maximum safety

GS are very safe financial instruments, because they benefit from the full guarantee of the Republic of Moldova.

Since the establishment of the GS market, the state has never withheld payment for the principal or interest of the GS.

### High liquidity

Because GS are traded on the secondary market, you get money by selling them on the market. At the same time, you get the interest for each day of holding the GS in your portfolio.

### Long term collaboration with the most reliable partner

No risk in terms of the loyalty, trust and security of your investment partner.

## Key considerations of the GS investment

The nominal value of a government security is 100 MDL.

The maturity of GS:

91, 182 and 364 days for treasury bills; 1 year and more for government bonds.

### Standard calculation formulas:

The nominal interest rate of treasury bills:

$$\frac{N - P}{P} * \frac{365}{T} * 100$$

where:

**N** - nominal value of a T-bill;

**P** - price of a T-bill;

**T** - number of days to maturity.

The coupon of a government bond:

$$C = N * \frac{r}{100} * \frac{t}{365}$$

unde:

**C** - size of coupon, (MDL);

**N** - nominal value of a GB, MDL;

**t** - coupon term;

**r** - for GB with fixed interest rate – the interest rate established in the announced communique of the GS; for GB with floating interest rate – the annual variable interest rate plus the margin set at the auction.

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GS are issued in the book-entry form (no special paper forms are printed) and are identified by a unique state registration number (ISIN).

The placement of GS on the primary market is performed by the National Bank, as fiscal agent of the state, through auctions, according to the conditions determined and regulated by the Ministry of Finance as issuer:

*in the first and third weeks of each month, on **TUESDAY**, for treasury bills;*

*in the first and third week of each month, on **WEDNESDAY**, for government bonds.*

The Ministry of Finance and the National Bank of Moldova publish on its official web pages the Calendar of GS sale auctions and the Communiqués of the placement /auction results of GS.

[www.mf.gov.md/ro/datoria-sectorului-public/piata-primara-a-vms/](http://www.mf.gov.md/ro/datoria-sectorului-public/piata-primara-a-vms/)  
[www.bnm.md/ro/content/piata-valorilor-mobiliare-de-stat](http://www.bnm.md/ro/content/piata-valorilor-mobiliare-de-stat)

The bids for the purchase GS can be either **competitive**, where in addition to the value you want to be awarded, you also indicate the price / margin you are willing to pay, or **non-competitive**, where you indicate only the value you want to be awarded.

**Competitive bids** are allocated, using one of the following methods:

- *multiple price auction method*, used in selling auctions of T-Bills and GB with fixed interest rate;
- *single price auction method*, used in selling auctions of GB with floating interest rate.

In the **non competitive bidding**, the bids are allocated at the weighted average price of the bids satisfied in the competitive bidding within the volume announced in the non-competitive bidding.

Bids for purchasing/selling GS can be submitted to the primary dealer **no later than one day before the auction**.

For buying/selling GS you can contact one of the following primary dealers:

BC „MOLDINDCONBANK” S.A.  
BC „MOLDOVA-AGROINDBANK” S.A.  
BC „VICTORIABANK” S.A.  
OTP BANK S.A.  
FINCOMBANK” S.A.  
BC „ENERGBANK” S.A.  
BC „EXIMBANK ” S.A.  
BANCA COMERCIALĂ ROMÂNĂ  
CHIȘINĂU S.A.  
BC „EUROCREDITBANK” S.A.

## How to invest in government securities?

1. Contact a primary dealer;
2. Ask the primary dealer for the information about the Communique of GS placement and the recent results of GS auctions;
3. Choose the type of GS and the term for which you want to make the investment;
4. Fill in the application form for participating at the GS selling/purchasing auction, in strict accordance with the application form received from the primary dealer;
5. Open a current account at the primary dealer;
6. Deposit in the current account, the amount representing the total value of the government securities included in the application form for participating at the auction;
7. After the government securities selling auction, the primary dealer will notify you about the acceptance or rejection of the bid and will settle any differences amounts;
8. At the maturity or interest payment date, the primary dealer will transfer to your account the amount of the redeemed GS at face value and the afferent interest on GS.

## How to buy/sell government securities on secondary market?

1. Contact a primary dealer, in case of buying GS or the primary dealer through which you purchased GS, in case of selling GS;
2. Ask from the primary dealer the own price quotations of the GS and the quotations of other primary dealers, as well as the prices of the GS issued at the last auctions and those traded on the secondary market;
3. Negotiate the price and when you come to an agreement, conclude the transaction. If you cannot agree on the price, fill in the offer to buy/sell the GS, indicating the requested price, based on which the primary dealer will try to find the right counterparty;
4. The primary dealer will settle the amounts related to the transaction and after the changing the ownership over the GS will issue a confirmation certificate of the registration in the book entry form.

Starting with January 1, 2021, according to art. 15 § a) and b) of the Fiscal Code no. 1163/1997, the incomes obtained from interests of GS will be taxed in the amount of 12%. The actual beneficiaries are responsible for the obligation to declare and pay the tax related to the interest income obtained from GS.

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## GLOSSARY

**Communique of the government securities issuance** – the document, by which the Ministry of Finance announces the date and place to hold the auctions of GS, the maturity of GS; the unique state registration number (ISIN code), the nominal value of the GS, the supply amount, the issuance date, as well as the sale and interest payment terms, in case of government bonds issuance; additional for reopening/early redemption of GS residual maturity, accrued interest.

**Primary dealer** - the bank that has been accepted by the Ministry of Finance to perform operations with GS on the GS market;

**Client (investor)** - an individual or legal entity, resident or non-resident of the Republic of Moldova, on which behalf the primary dealer submits the bid for participation in the GS sell/purchase auction and/or makes transactions on the secondary market. Only primary dealers may submit bids on behalf of their clients;

**Liquidity** – urgent conversion of assets into cash;

**Multiple price method** – involves the allocation of securities at the price presented in each competitive bid;

**Unique price method** – involves the allocation of bids at the maximum accepted margin;

**Premium** – the difference between the government security's price at issuance and its nominal value, in case if the price is higher than the nominal value;

**Maturity** – date of expiry of a debt payment;

**Discount** – the difference between the government security's price at issuance and its nominal value, in case if the price is lower than the nominal value;

**Nominal value** - the announced value of a government security to be paid at maturity.