



GUIDELINES FOR THE PRIMARY MARKET ISSUANCE
OF
GOVERNMENT OF SIERRA LEONE TREASURY BONDS

OCTOBER 2019

1. INTRODUCTION

a) Issuer and Description

The Bank of Sierra Leone ("the Bank") in its role as banker and fiscal agent of the Government of Sierra Leone (Government) issues Government of Sierra Leone Treasury Bonds (T-Bonds) in electronic format through the Scripless Security Settlement system (SSS) system or Central Security Depository (CSD).

Treasury Bonds are medium to long-term debt instruments, issued by Government in exchange for money borrowed from the public, primarily to finance its revenue-expenditure gap. Other objectives for the issuance of Treasury bonds include: to encourage the development of the domestic money market; to serve as a savings tool for the Non-bank Public; support Government's infrastructure projects; and to provide a liquid form of investment with no risk of default for institutions as well as individual investors.

The issuance of treasury bonds will be determined by the Ministry of Finance (MoF) from time to time and the features indicated in the Prospectus of the Bond. The bonds issued, are stored in the SSSS/CSD.

Pursuant to Section 5(3) of Sierra Leone Government Loans Act 1965, Treasury Bonds can be issued in various maturities not exceeding 40 years.

Treasury bonds are issued in different maturities namely: 2-years, 3-years, 5-years and 10 -years.

Based on a Memorandum of Understanding, Government can use its sole discretion to issue Treasury Bonds bilaterally with specific terms and conditions to any institution in order to meet some fiscal challenges or to undertake specific projects through the Bank.

Treasury Bonds are denominated in Leones and are sold at face value/par. The frequency of interest/coupon payment will be indicated in the Prospectus of the Bond being issued.

b) The Central Securities Depository/Scripless Securities Settlement System (SSSS)

The CSD is a key component of the Bank of Sierra Leone's National Payments System, which manages the life cycle of Government of Sierra Leone (GoSL) treasury securities and is linked to the Real Time Gross Settlement System (RTGS). This facilitates real time settlement and clearance of all Government securities transactions on a Delivery Versus Payment (DvP) principle, where both the securities and the funds are simultaneously settled with finality.

c) Primary Dealers

All Commercial Banks and Discount Houses are Primary Dealers (PDs) and shall perform the following functions:

- provide liquidity to the market by quoting effective one-way rate for Treasury Bonds for outright purchases and sales;
- purchase the undersubscribed portions in auctions;
- participate actively in the Treasury Bonds issuance programme;
- actively contribute to the development of the Treasury Bonds market;
- adhere to their obligations as stipulated in the Primary Dealership Agreement.

2. THE AUCTION COMMITTEE

The Auction Committee shall be chaired by the Bank and shall comprise officials from the Bank and the Ministry of Finance. The Committee discusses auction outcomes, takes final decision on the auction and also confirms all auction results.

The Committee reserves the right to increase or decrease the offer amount by not more than 10 percent, and also to accept or reject bids without assigning any reason. However, the percentage may be varied based on government's funds' position.

3. PRIMARY MARKET ISSUANCE

a) Auction Calendar

An Auction Calendar prepared by the Ministry of Finance (MoF) may be published from time to time. Pre-announcing the issuance of Treasury Bonds reflects the Bank's desire for greater transparency and accountability. It also enables market players to effectively plan their investment in Government securities.

b) Announcement

For the information of the general public, a press release calling for bids will be published in the Bank's website and the local news media at least six days prior to each auction.

An announcement is also published electronically through the CSD system at least three days prior to each auction session for the information of commercial banks.

c) Submission of Bids

Commercial Banks can submit their bids on behalf of themselves and their customers electronically through the CSD Platform held at the Bank of Sierra Leone, not later than 16:00hrs GMT on the day preceding the auction.

Discount houses, insurance companies and other financial institutions should submit their auction bids signed by the authorised signatories in a sealed

envelope, addressed to the Director of Financial Markets Department and marked on the outside "Treasury Bonds Auction Bid(s)".

All bids should be delivered to the Bank not later than 16:00hrs GMT on the day prior to the auction date.

d) Auction Format

Each bid submitted must be a minimum face value of Le500,000 (Five hundred thousand Leones) and thereafter in increments/multiples of Le50,000.

Bids must be quoted in rates per Le100 face value in not more than two decimal places (e.g. 8.00%, 4.5%, and 10.46%).

e) Auction Allocation

The auction will be conducted using the single rate auction format. This implies that each successful bidder is allocated Treasury Bonds at the rate that clears the market. In addition, more than one bid per participant is allowed but at different rate.

Bids will be allotted in ascending order from the lowest to the highest bid rate that clears the amount put on offer.

f) Oversubscription

If an auction is oversubscribed, the decision to supply the total amount demanded is dependent upon the provisions of section 2.

g) Undersubscription

On occasions where the market demands less than the full amount offered in the auction announcement, the undersubscribed amount may be redeemed by Government or issued to the Primary Dealers on a pro-rata basis.

h) Eligible Participants

Primary Dealers, insurance companies and other approved wholesale participants that hold accounts with the Bank of Sierra Leone are eligible to participate in the primary auction.

Other institutions and the general public wishing to acquire Treasury Bonds in the Primary market must do so by placing their bids through a Primary Dealer.

Treasury Bonds shall only be sold to applicants that have been registered and hold Securities account with the CSD.

i) Registration of Participants

All Primary Dealers and Other Financial Institutions (OFIs) shall be registered in the CSD by the Bank, to obtain a unique identification number and a securities account number. First time participants of Treasury bonds in the non-bank public category, shall be registered in the CSD by a Primary Dealer and given a unique identifier code.

j) Competitive Bids

Applicants that submit a competitive bid will be allotted with Treasury Bonds only at the rates that clear the market as long as the rate quoted on the application falls below or equals to the clearing rate. If bids at the cut off rate exceed the face value of the remaining amount on offer, the remaining amount will be prorated and allocated accordingly to bids at the cut off rate until the amount offered for sale is exhausted.

k) Responsibility for Payment

The responsibility to pay the face value for Treasury Bonds awarded in an auction rests solely on the bidder. Participants should therefore ensure that their accounts are adequately funded on the auction date.

l) Auction Results

Primary Dealers will be able to view their own and clients' successful bids on the CSD System upon completion of the auction. Results of other participants who are Non-Primary Dealers will be delivered to the respective institutions not later than the day following the auction.

The results of auctions will also be announced for the information of the general public on the local media and on the Bank's web site (www.bsl.gov.sl).

The auction results will include:

- Total amount supplied/issued at the auction;
- Highest Bid Rate;
- Lowest Bid Rate;
- Clearing Rate;
- Date of next issue and maturity;
- Terms of coupon payment;
- Offer Amount at next auction.

m) Auction Postponements

The Bank reserves the right to change the bidding cut-off time or postpone an auction at any time, should any circumstance impair the integrity of the auction process.

If an auction date falls on a public holiday, the auction will be conducted on the next Business Day but the issue will remain the same. An auction could also be postponed in the event of technical failure, natural disaster.

n) Commission

A commission of 0.3 percent on successful bids at the auction on behalf of their clients shall be paid to the PDs on auction day.

o) Redemption of Security

On maturity, investors shall be paid the face value and last coupon (face value and interest) of treasury bonds purchased at auction. The Bank shall credit the

accounts of all PDs and OFIs, while accounts of the non-bank public shall be credited by their respective PDs through the SSS System on real time basis.

p) Withholding Tax

With the exception of commercial banks and pension funds, income earned from investment in treasury bonds shall be subjected to 15 percent withholding tax at maturity, as per Government regulations.

4. SETTLEMENT

a) Settlement Rate

The settlement rate for Treasury Bonds is calculated as follows;

Settlement rate = Face Value

Example, if bid rate is 5.00% and face value bid is 1,000,000

Then settlement rate = $(5.00/5.00) * 1,000,000 = 1,000,000$

b) Settlement

Settlement of all Treasury bonds transactions will be done on the basis of Delivery Versus Payment (DvP). Successful bidders' current accounts at the Bank of Sierra Leone will be debited with the aggregate settlement rate for all successfully bids at the auction.

Successful bidders must ensure that their current accounts are sufficiently funded to meet the settlement obligations arising for all successful bids. Settlement is done through RTGS and Temenous 24 (T-24).

The Auction Committee reserves the right to cancel Treasury Bonds that are not fully paid for by a successful bidder.

Where a bidder fails to pay fully for Treasury Bonds on settlement day, the Bank may take punitive action against the bidder.

***Money Market Division
Financial Markets Department
Bank of Sierra Leone***