



Bank of Papua New Guinea

HOW TO INVEST IN THE TREASURY BILL & TREASURY BOND TAP FACILITY

1. Definition

Treasury bond tap (Tbond-tap) and Treasury bill tap (Tbill-tap) are Bank of PNG's stocks of Treasury bonds and bills issued on a Tap basis (over the counter) to investors at a pre-determined price or yield.

Tbond-tap is the fixed-income bond that pays coupon interest on a six-monthly basis over the term of the bond. It has maturities for 2 years and more and will be purchased at par or face value amount at the initial settlement.

Tbill-tap is a discount bill with terms less than one (1) year of maturity. It is purchased at a discounted price, accrues interest daily until it reaches the full face value on maturity.

2. Objective

The Bank's objective of offering this facility is to support the development of the secondary market for the trading of government securities and to encourage a savings culture. This market provides an avenue for investors to meet their liquidity needs through the buying and selling of these securities.

3. Minimum Investment Amount

The minimum investment amount is K5,000.00 and in lots of K1,000.00 thereafter. This is for both the Tbill-tap and Tbond-tap.

E.g. K5,000.00, K6,000.00, K7,000.00, etc.

4. Maximum Investment Amount

The maximum amount that can be purchased is limited to the amount available in BPNG's holdings of the securities.

5. Agreement to these Terms & Conditions

By participating in this Tap facility, an investor agrees to accept these Terms and Conditions.

6. Eligibility and Requirements

6.1 Eligibility

The general public which includes individuals, private companies, church groups, government employees (individuals) and others are allowed to participate. Foreign Investors are also invited to participate.

Government Agencies or Institutions are allowed to participate.

Licensed Financial Institutions such as Commercial Banks, Finance Companies, Savings and Loans Societies, Insurance Companies, Superannuation Funds, Micro Banks and other Registered Bidders are **not** eligible to participate.

6.2 Investing

Eligible Investors can participate by physically lodging the application form, posting it by mail, sending it by fax or emailing it to the Bank of PNG. Payments can be by bank cheques or electronically through a commercial bank via the Kina Automated Transfer system (KATS). Potential investors must contact the Bank's Money Markets Team on telephone 322 7156 / 7355/ 7344 or email investments@bankpng.gov.pg for confirmation before making any transactions.

6.3 Requirements

The requirements for investing are as follows. The investor must:

- i. *Have a Commercial Bank Account; (BSP, ANZ, WESTPAC & KINA BANK)*
- ii. *Complete an Investor Identification Form with the Bank of PNG.*
- iii. *Complete an application form.*
- iv. *Complete the Transfer and Acceptance form, if applicable.*
- v. *Make a payment using accepted payment modes.*

7. Term

The terms offered for sale will be at fixed terms to maturity and can be a term between the maturity. For the Tbond, terms will be from 2 years or more. E.g., 2, 3 ,4 years, etc. For TBill, terms will be for 28, 63, 91, 182,273 and 364 days (1 year).

8. Yield

The yield offered for each maturity or term will be pre-determined and fixed rates set by the Bank of PNG. Any changes to these rates will be at the Bank's discretion.

9. Pricing

9.1 Treasury bond

The Tbond will be sold at par value. The par value of the bond is the face value of the bond. Treasury Bond Tap is redeemable at maturity. The settlement price per Kina of Principal shall be calculated using the following formula:

$$\text{Settlement Price per Kina N Principal} = \left[\frac{\frac{1}{(1+i)^n} + r \left[c + \frac{1 - \frac{1}{(1+i)^n}}{i} \right]}{(1+i)^{\frac{a}{b}}} \right] N$$

Where N = the Principal of the Stock (Kina)
 r = the annual Coupon Interest Rate divided by two hundred, i.e., the semi-annual Coupon Interest Rate(%)

i = the Yield divided by two hundred, i.e., the semi-annual yield (%)

c = where the Settlement Date is after the Record Date and up to, but not including, the next Coupon Interest Payment Date "c" has the value of 0, otherwise "c" has the value of 1

n = the number of full half years between the next Coupon Interest Payment Date and the Maturity Date

a = the number of days from the Settlement Date to the next Coupon Interest Payment Date

b = the number of days in the half year ending on the next Coupon Interest Payment Date

9.2 Treasury bill

Tbill will be sold at a discount and will be redeemable at par on maturity. The discount will be on the basis of the number of days to maturity at the yields for each term or based on the investor's preference of term. The discount price is calculated using the Discount formula below.

$SV = \text{Common Price} \times \text{Face Value}$

$$SV = \left[\frac{1}{1 + \left[\frac{ni}{36500} \right]} \right] N$$

where

SV = Settlement or Discounted Value

n = Number of days to maturity (term)

i = interest rate expressed in two (2) decimal places

N = Face or Future Value of the amount to be invested

10. Interest Withholding Tax

Interest Withholding Tax of 15% is applicable on all investments unless tax is exempted by Internal Revenue Commission, (IRC Tax Exemption Certificate to be provided for confirmation).

11. Payment

Acceptable methods of payment for any purchases will be by bank cheques or electronic payments through the Kina Automated Transfer System (KATS).

Bank cheques are to be made payable to: **Bank of PNG**

Account details for electronic payment below:

A/c Name: RMS KATS Clearing Account - Registry Transaction
A/c No: 000-5312-7209-0000-1
Bank & Branch: BPNG - Port Moresby
Transaction Type: Real Time Gross Settlement (RTGS)

Prior to lodging an application to invest funds, investors must obtain quotations from the Bank Dealers. The investor must ensure that payments are received before the closing times.

Unless advised by the investor to rollover, the Bank of PNG will automatically credit proceeds into the investor's nominated commercial bank account on maturity.

12. Trading and Settlement times

12.1 Trading times and place

Trading will be on Monday to Friday from 9.00am to 2.00pm. Trading place is at the Tap facility desk, Ground floor, ToRobert Haus, Bank of PNG, Port Moresby.

12.2 Settlement

Payment to be effected for settlement within 2-4 days of lodging, i.e.: (T+2, 3, & 4). Settlement for all trades will be effected on Fridays only.

Note: There will be no Trading on Public Holidays.

13. Buy backs and Early Redemption

Buyback and early redemption on stocks is allowed by the Bank. However, investors are encouraged to sell the stock to another party on the secondary market. The Bank must be advised on such transactions. A transfer and acceptance form must be completed and submitted to the Bank as a form of confirmation for this.

14. Rollover of maturity

Rolling over of maturing investments is allowed, however, due to price movements, investors wishing to rollover their investments must advise a Dealer 1 week before the maturity date. If a rollover advice is not received 1 week before maturity, the maturity proceeds will be sent back to the nominated commercial bank account.

15. Place of Trading

Place of trading will be at the Tap facility desk, Ground floor, Bank of PNG, ToRobert Haus, Port Moresby. Investors from outside the National Capital District can send in their applications using email, fax and postal mail. Contact details can be obtained at the end of this document.

16. Quotation and Application Form

Quotation and Application Forms can be obtained from the Bank of PNG, Financial Markets Department, ToRobert Haus, Down Town, Port Moresby or through the Bank of PNG website. Investors can also request for quotes and application form to be sent by email, fax and postal mail.

All new investors must complete an Investor Identification form prior to submitting applications. The form must be completed with all the details of the investor including the postal and residential addresses, contact person, method of payment and banking details. A copy of a valid ID card (passport, drivers licence, superfund cards and others) must be lodged with the ID form. The purpose of an ID is to assist the Bank of PNG ensure that transactions are secured by proof of ownership. For small organisations, the Treasurer will be accepted as the authorising person.

17. Variation to these Terms and Conditions

These Terms and Conditions may change at the discretion of the Bank of PNG as required by Law or otherwise with or without prior notice to clients. Where the Bank intends to vary these Terms and Conditions, clients may be notified through various communication modes.

18. Penalties

Trading under this facility is guided by strict market rules and principles, one of which includes these Terms and Conditions. All applicable Papua New Guinea Laws also apply, where necessary. Market participants involved in any unacceptable market practices (such as fraud) will be dealt with accordingly.

Bank of PNG Contact Details

1. Postal Address

Bank of Papua New Guinea
P O Box 121
Port Moresby
National Capital District
Papua New Guinea

Location: Corner of Douglas and Cuthbertson Street, Down Town, Port Moresby.

2. Sections to Contact

Financial Markets Department
Money Market Operations Unit or Registry Unit

Telephone: (675) 322 7344, 322 7342, 322 7201, 322 7202
Fax: (675) 321 0918 or 321 1617
Email: investments@bankpng.gov.pg
Website: www.bankpng.gov.pg