



CENTRAL BANK OF THE GAMBIA

**GUIDELINES
FOR THE ISSUANCE OF**

GAMBIA GOVERNMENT

BONDS

NOVEMBER 6, 2019

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1.0 INTRODUCTION

- 1.1 This Guideline relates to any local currency bonds issued on behalf of the Government by the Central Bank of the Gambia (CBG). It sets out the important terms of the Bonds and information relating to them, including information about method of issuance of Bonds conducted by CBG.
- 1.2 A number of expressions are used in this Guideline. The meaning given to each of these expressions is set out in Annex 1 (Glossary of Terms), unless the expression is defined in the text of this Guideline.
- 1.3 This Guideline supplements the specific terms and information set out in each Prospectus. Where a further amount is issued (i.e., reopening) of an Existing Bond, this Guideline is subject also to the provisions of the Prospectus under which the Existing Bond was issued. In the event of any conflict or inconsistency between this Guideline and any Prospectus or Notice, the terms of this Guideline shall prevail. The terms of this Guideline and any Prospectus are binding on and enforceable against, bidders (whether or not they are successful in any auction), Bondholders, Transferees and any person who acquires a beneficial or other interest in the Bonds.
- 1.4 As regards to the Bonds, this Guideline is the governing document in relation to the matters with which it deals.
- 1.5 This Guideline is issued by the CBG acting on behalf of the Government of the Gambia. All references in this Guideline, any Prospectus, Notice or application form to the CBG are to the CBG in its capacity as agent for the Government of the Gambia. Any action taken by the CBG as contemplated by this Guideline, any Prospectus or application form is taken by the CBG as agent for the Government of the Gambia. In acting as agent for the Government of the Gambia, the CBG accepts no obligations or liabilities to third parties. For the avoidance of doubt, in buying and selling Bonds for its own account the CBG shall be treated as a principal notwithstanding the foregoing.

2.0 GENERAL

- 2.1 Bonds constitute direct, unsecured and unconditional obligations of the Government of the Gambia. The principal and interest on Bonds will be charged on the special account and Treasury main account of the Government of the Gambia respectively.

- 2.2 The arrangements for the maintenance of the Register, for transfer of Bonds and for payment of amounts due in respect of Bonds are set out below. The current position is as follows:
- a) Bonds will be registered and held in book-entry form at the CBG
 - b) Bonds are transferable in multiples of fifty thousand Gambian Dalasi (GMD50,000) nominal value.
 - c) Payment of principal and interest on Bonds to bondholders will be paid through the cash accounts of settlement partners with the Central Bank.
 - d) Unless stated otherwise in the prospectus, the CBG operates on a 365-day system and all payments for same-day value are normally made on a Wednesday. Accordingly, the Issue Date of a Bond will be a Wednesday, as will its Maturity Date. All Interest Payment Dates will be on Wednesdays falling on the expiry of successive 182-day periods following the Issue Date. However, if the due date for any amount of principal or interest in respect of Bonds is not a Business Day, and then payment may not be made until the next succeeding Business Day. In such cases the Bondholder will not be entitled to any further interest or other payment in respect of such delay.
 - e) Where the prospectus states an issue day other than a Wednesday, coupon payments will be made semi-annually from the issue date. The interest paid shall be equal to the principal at the coupon rate for half-year.
- 2.3 Any interested person or persons and institutions shall be eligible to participate in the Bonds market through a primary dealer.
- 2.4 The MoFEA/CBG shall announce from time to time, details of Bonds available and their volumes and maturity dates.

3.0 METHODS OF APPLICATION FOR BONDS

3.1 Auctions

- a) Most auctions of Bonds are in the form of either fixed price (yield) or variable price type, where the variable price (yield) method can either be multiple or uniform price system. Any differences applicable to a particular auction will be as set out in the relevant Prospectus.
- b) The CBG shall publish a Prospectus, inviting bids for the Bonds to be issued, in advance of the auction.

- c) Prescribed applications forms will be posted on MoFEA and CBG websites and will be attached to the Prospectus and Guidelines.
- d) Each application to the CBG for the purchase of Bonds shall be deposited in the tender box at the Banking Department, CBG, in person and should not be handed over to CBG officials. Bids can also be emailed using completed and scanned application to an anonymous Central Bank email which is: *omo@cbg.gm*.
- e) The opening and closing of bids shall be stated in the prospectus.
- f) For the purpose of November 6th, 2019 bond, the auction period shall open at 08:00am Monday November 4th and close by 1:30pm Wednesday November 6th.
- g) The CBG reserves the right to accept or reject or refuse to recognize any or all bids or tenders. The CBG also reserves the right to award more or less Bonds than the amount of Bonds specified in any Prospectus or notice. The CBG further reserves the right to waive any provision or provisions of this Guideline, any Prospectus, notice or application form for any or all bidders up until the time a bid is accepted and the price settled. Decisions of the CBG shall be final.

3.2 Bidding

- a) Each bid must be for one amount and at a stated price or interest rate (yield) expressed as a percentage to no more than 3 decimal points, for the debut issue. This procedure may change in subsequent issues. In which case either the Dutch (multiple price) or English (single price) auction system would be used as described in 3.2 c and d respectively.
- b) The minimum bid amount shall be GMD 5.0 million in multiple of GMD50,000.00.
- c) In the case of auctions of Conventional Bonds, applicants whose competitive bids are accepted will purchase Bonds at the prices or rates at which they bid where allotments are made by the multiple price method. Competitive bids which are accepted and which are made at prices above the lowest accepted price or below the highest accepted rate will be satisfied in full. Competitive bids which are accepted and which are made at the lowest accepted price or highest accepted

rate may be satisfied in part only. See example of yield-based bidding auction in annex 2.

- d) Where allotments are made by the uniform allotment price method, all successful bidders will purchase the Bonds at that price, irrespective of the price quoted. Competitive bids which are accepted and which are made at prices above the uniform allotment price or rates below the highest accepted rate would be satisfied in full. Competitive bids which are accepted and which are made at the uniform allotment price may be satisfied in part only.
- e) In the event that CBG revert to either adopting Uniform or Multiple price auctioning system, in making a competitive bid, each bidder represents and undertakes that it has not discussed its bid, or the bid of anyone else, with any other person nor, in any other way whatsoever, has it disclosed its bid to any other person, or had anyone's bid disclosed to it, nor has it colluded or sought to collude with any other person as to its own bid or that of any other person or the pricing of the auction generally.

4. NOTIFICATION OF RESULTS

- 4.1 The general results of any auction shall be available from 3.00pm on the auction day and in any event the Primary Dealer and other bidders shall be notified (whether by telephone or by emailing through the following address: **omo@cbg.gm**) of their allotments by no later than the end of the first Business Day following the auction.
- 4.2 The CBG will publish a report and analysis of each auction in a press notice on its web site (www.cbg.gm) by close of business on the auction day. . Where appropriate, such reports and analyses will include:
- The highest, weighted average and lowest accepted prices or rates
 - The gross redemption yields equivalent to those prices or rates;
 - The total value of accepted bids, amounts offered and over or under-subscribed amounts; and

- The ratio of the total value of bids received to the amount on offer, including bids rejected in whole or in part on account of price or rate.

5.0 PAYMENT AND SETTLEMENT

- 5.1 Payment must be made by direct debit through the RTGS.. Primary dealers must ensure that they have enough funds in their accounts at the date of the settlement to cover purchases of Bonds made on their own behalf and on behalf of their clients.
- 5.2 On the Issue Date, the CBG shall debit the CBG Cash Account of the successful bidder by the amount the bidder is required to pay for the New Bonds..
- 5.3 The holdings of each Bondholder shall be recorded by electronic book entry at CBG.

6.0 REGISTRATION OF APPLICANTS

- 6.1 The CBG reserves the right to require evidence of the identity of any person (beyond what is provided for registration) for whom an applicant is acting as agent. Failure to provide satisfactory evidence of identity may result, in addition, if for whatever reason such evidence of identity is not provided as soon as is reasonably practicable (in the CBG's determination) and in any event within 21 days after the request has been made, the CBG may take steps to cancel the sale of any Bonds to such client, and may take any other action that the CBG may deem fit.

7.0 DEFAULTS

- 7.1 When a person or an entity fails to comply with the requirements of this Information Guideline, any Prospectus or notice, the CBG will consider the circumstances of such failure and determine an appropriate remedy. Such remedy may include prohibiting the person or entity from participating in future auctions for its own account, for the account of others, or both. In determining whether or not there has been any such failure, the CBG may request, and Bondholders, bidders and Primary Dealers will supply, such information as the CBG may reasonably require for its determination. Any such determination by the CBG shall be conclusive.
- 7.2 The CBG may at its discretion cancel any sale of Bonds if the applicant defaults in making due payment. There will be default in making due payment if payment in

cleared funds is not received by the relevant time or if the cheque presented is not honored on the Issue Date specified in the Prospectus. In any such case the applicant agrees to pay liquidated damages of 1% of the par amount of Bonds sold to the applicant. The CBG may waive, in whole or in part, the payment of liquidated damages. This liquidated damages provision shall not preclude the use of any other available remedy.

- 7.3 If, notwithstanding a default in making due payment, the CBG accepts payment after the Issue Date, it may charge interest on the amount payable in respect of the period from the Issue Date to the date of payment, at a rate equal to the CBG Policy Rate plus 2% per annum.

8.0 SECONDARY MARKET

8.1 General

Bondholders may trade in Existing Bonds with one another as well as with the general public. As a guideline, the CBG expects settlement of trades on the secondary market to take place on the same day as the date of the contract of sale.

8.2 Bond trading

A Bondholder may dispose of its interest in Existing Bonds by submitting details of the bond to any Primary Dealer.

9.0 REGISTER FOR BONDS

- 9.1 A register of the Bonds in electronic book entry form shall be maintained by the CBG. An entry on the Register in the name of a Bondholder shall constitute prima facie evidence that the Bondholder is the legal owner of the Bonds referred to against its name.

9.2 The Register shall contain the following information:

- a) The Issue Date of the Bonds;
- b) The serial numbers of the Bonds;
- c) The amount, type and maturity of each Bond held by each Bondholder and the date the Bondholder became registered as owner of the Bond;
- d) The name and address of the Bondholder; and

- 9.3 Although the Register shall not be open to the public, the CBG shall meet all reasonable written requests for information about the Bonds held by the Bondholder, on payment to the CBG of a prescribed fee.
- 9.4 The CBG will act in good faith in maintaining and updating the Register and it shall not be responsible for any losses or liabilities suffered or incurred by a Bondholder or other member of the public who relies on information.

10.0 GENERAL

- a) The CBG may sell less than the full amount of the Bonds on offer at the auction and may decide not to sell any of the Bonds. The CBG will sell Bonds to individual bidders at its absolute discretion. In particular it may decline to sell bonds to an individual bidder or group of bidders if it appears that to do so would be likely to lead to market distortion.
- b) Bids once submitted to the CBG, cannot be withdrawn.
- c) Inadequately completed bids shall not be eligible for the auction.

11.0 REVISION

The right is reserved to amend or supplement this Guideline by further notices given from time to time. Any notice given under this paragraph will be published by the CBG on behalf of the Government of the Gambia in such manner as it considers appropriate.

ANNEX 1

GLOSSARY OF TERMS

A number of expressions are used in this Guideline and in a Prospectus. The meaning given to each of these expressions is set out in this Annex, unless the expression is defined in the text of the Guideline.

“Allocation limit” refers to the limit per bidder of allocated bonds. In the case of the Nov 6 issue, that limit is 50%. If an investor bids more than 50% of the announced volume, and if the investor’s bid is accepted, then that offer will be trimmed down to 50% of the (actual) allotment. In the case where the bidder is bidding for both client and their own book, and where it is clearly so, then that client may receive up to 50% of the allotment and the primary dealer investing for its own book may also receive up to 50% of the allotment.

"Auction Date" means a day on which the auction of New Bonds takes place; "CBG" means Central Bank Of The Gambia; "CBG Cash Account" means the account held by a Settlement Partner with the CBG for the debiting and crediting of cash; "Bond" means a local currency bond issued by the CBG on behalf of the Government of the Gambia; "Bondholder" means a person who is recorded on the Register as the holder of Bonds; "Business Day" means any day other than a Saturday, Sunday and a statutory holiday in the Gambia; "Conventional Bonds" means Bonds on which interest payments and principal repayments are fixed; "Coupon" or "Coupon Rate" means the base interest rate payable on a series of Bonds; "Existing Bonds" means Bonds other than New Bonds; "Guideline" means the document headed "Guideline" issued by the CBG in relation to the issue of Dalasi-denominated Government of the Gambia Bonds; "Interest Payment Date" means a date on which interest is scheduled to be paid on a series of Bonds; "Issue Date" means the date on which New Bonds are issued by the CBG on behalf of the Government of the Gambia and payment is required to be made by the successful bidders, being the first Business Day after the Auction Date or such other Business Day as may be referred to in the Prospectus; 11 "Maturity Date" means the date on which the principal is scheduled to be re-paid on a series of Bonds; "New Bonds" means Bonds which the CBG is proposing to issue on the terms of the Guideline and a Prospectus; "Prospectus" means any and each document titled "Prospectus" issued by the CBG from time to time in relation to New Bonds; "Register" means the electronic register in relation to the Bonds maintained by the CBG.

ANNEX 2

EXAMPLE OF YIELD-BASED BID AUCTION

D 100 million 2 year bond with minimum bid D 5 million and D 50000 increments, 50% per bidder allotment limit

| <u>Avg (% offer/100m)</u> | <u>Reorder low/high</u> | <u>Cum Total Weighted</u> | <u>Average</u> <u>(offer/100m)</u> |
|-------------------------------------|-------------------------|--------------------------------------|---------------------------------------|
| Investor A offers 25000000 at 8.00% | B: 5000000 | 6.00% 5000000 | 0.00300 |
| Investor B offers 5000000 at 6.00% | A: 25000000 | 8.00% 30000000 | 0.02000 |
| Investor C offers 10000000 at 8.25% | C: 10000000 | 8.25% 40000000 | 0.00825 |
| Investor D*offers 55000000 at 8.60% | F: 8000000 | 8.50% 48000000 | 0.00680 |
| Investor E*offers 12500000 at 9.00% | D: 50000000 | 8.60% 98000000 | 0.04300 |
| Investor F offers 8000000 at 8.50% | E: 2000000 | 9.00% <u>100000000</u> | <u>0.00180</u> |
| Investor G*offers 13000000 at 9.25% | | 8.285%=weighted average yield | |
| | | =coupon rounded to 8.29% | |

*Investor G rejected, investor E partially accepted, investor D stopped at 50 million given 50% allocation limit per investor (note if the extra 5 m were on behalf of client, then the full 55 million bid would have been accepted).

Using standard excel bond analysis spreadsheet, corresponding prices to be paid by investor are:

Investor B pays D 1041.98 per Face Value of 1000 (or 1.04198 times Face Value of Allotment of 5000000)

Investor A pays D 1005.17 per Face Value of 1000 (or 1.00517 times Face Value of Allotment of 25000000)

Investor C pays D 1000.71 per Face Value of 1000 (or 1.00071 times Face Value of Allotment of 10000000) **

Investor F pays D 996.52 per Face Value of 1000 (or 0.99652 times Face Value of Allotment of 8000000)

Investor D pays D 994.51 per Face Value of 1000 (or 0.99451 times Face Value of Allotment of 50000000)

Investor E pays D 987.51 per Face Value of 1000 (or 0.98751 times Face Value of Allotment of 2000000)

****How much does Investor C actually pay and receive?**

C offered to **lend D 10 million** (let's call this Face Value, the amount of principal to be repaid at maturity at the end of 2 years) for a **yield of 8.25%**. Since the yield offered and accepted was lower than the coupon of 8.29% (=weighted average yield), C will pay a premium over 1.00071 premium over par (as calculated by the bond spreadsheet). Thus C pays 1.00071 times D 10000000 = 1000710. C receives four semiannual coupon of D 414500 (8.29%/2 times 10 million) plus principal of 10000000. The capital "loss" of 710, when combined with the coupon of 8.29% generates the requested yield of 8.25%. (Note that given a formal price of D 50000 per bond, investor C is allotted 200 bonds (D10 million / D 50000)).

ANNEX 3

TO: Director
Banking Department
Central Bank of The Gambia
1-2 ECOWAS Avenue
BANJUL, THE GAMBIA



**APPLICATION FOR 2-YEAR GAMBIA
GOVERNMENT TREASURY BONDS**

1. BID INFORMATION
Face Value:
D _____ *Amount in words*.....
(Sold in units of D50, 000)*Dalasis*

ISSUE DATE

OFFICIAL USE ONLY

2. TERM OF THE BONDS

Minimum Bid Amount: D5,000,000

Tenor: 2 Years

Yield: Please quote your preferred yield
(Up to two decimal points)

3. NAME Please Type or Print

4. ADDRESS

5. TELEPHONE _____

ACCEPT

REJECT

REASON

6. PAYMENT INFORMATION

Once an allotment of stock has been made, payment must be made in full by direct debit through RTGS in favor of The Gambia Government on the issue date. The allotment letter will not be issued until the amount debited has been realized.

7. AUTHORISATION *(Original Signature Required)*

Tender Submission: I submit this tender pursuant to the Guidelines for Bonds, General Conditions of Issue and Redemption and the applicable offering announcement. I certify that all the information provided on this form are true, correct and complete.

Signature(s) Date