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## **GOVERNMENT DEBT SECURITIES OPERATIONS**

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**Terms and conditions governing  
the switch auctions for the  
Government of the Republic of  
Namibia Internal Registered Stock  
13%, 2015 (GC15)**

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## **TERMS AND CONDITIONS FOR THE GC15 SWITCH PROGRAM**

Through this program, the Ministry of Finance through the Bank of Namibia will effect the switching of the Republic of Namibia Internal Registered Stock, 13%, GC15 maturing on 15 April 2015 into:

- The Republic of Namibia Internal Registered Stock, 9.50%, GC18;
- The Republic of Namibia Internal Registered Stock, 8.50%, GC25;
- The Republic of Namibia Internal Registered Stock, 8.00%, GC27 and
- The Republic of Namibia Internal Registered Stock, 8.00%, GC30.

The Ministry of Finance intends to actively manage the Government debt portfolio. The debt switch program is a tool for the Government to restructure the maturity profile of outstanding debt. Switches are also a cash management tool, which will enable the Government to mitigate rollover risk by smoothing the domestic debt maturity profile towards bond redemptions. This switching will also allow current holders of the GC15 to shift their investments into other stocks well in advance and to avoid the risk of not getting an allotment of other stocks upon the maturity of the GC15 stocks.

There will be a total of four switch auctions for the GC15 during FY2014/15, at which the Government will offer to switch N\$250 million during each auction. The switching will be done in line with prevailing market yields for both the source and destination stock.

### **1. SWITCHING METHOD**

The switch will be based on a “dirty” pricing method, that is, all-in-price. The source stock is the Republic of Namibia Internal Registered Stock, 13%, GC15 maturing on 15 April 2015, while the destination stocks are as follows:

- The Republic of Namibia Internal Registered Stock, 9.50%, GC18, maturing on 15 July 2018;
- The Republic of Namibia Internal Registered Stock, 8.50%, GC25, maturing on 15 April 2025;
- The Republic of Namibia Internal Registered Stock, 8.00%, GC27, maturing on 15 January 2027, and
- The Republic of Namibia Internal Registered Stock, 8.00%, GC30, maturing on 15 January 2030.

**Participation:** The Switch will be carried out on a voluntary basis and only holders of the source stock (GC15) are eligible to participate in this program. There is no limitation on the number of bids that participants can submit, provided that each submission has a different yield/price.

The Ministry of Finance reserves the right to switch more or less than the amount offered, reject any tender and to make partial allotment in respect of tenders at the lowest tender price against which any tender receives an allocation.

The switch auction will be conducted on a multiple-price basis, where successful bidders will switch at the price of the destination stock they bid. There will be no facility for non-competitive bidding.

The Bank of Namibia will fix and publish the yield and the equivalent “dirty” price of the source stock (GC15). This price will be in line with prevailing market prices. **Bidders are requested to quote the buying yield-to-maturity of the destination stock with its equivalent all-in price and switch ratio.** Bids will be allotted on the basis of lowest switch ratio, i.e., source stock “dirty” price/ destination stock “dirty” price. In other words, allocation will be made in an ascending order of switch ratios.

The Switch Ratio is calculated as the Source Stock “Dirty” Price/ Destination Stock “Dirty” Price. For example, given a GC15 dirty price of 103.33755 and a GC25 “dirty” price of 100.90256, the ratio will be  $103.33755/100.90256 = 1.02413$ . The switch ratio must be rounded to no more than five decimal places. Bidders must submit their tenders in multiples of N\$10,000 with a minimum of N\$50,000.

Participants who were partially allotted will be issued with the new certificate of the source stock worth the amount that was rejected for switching into a destination stock and will also be issued with a new certificate worth the amount that was allotted for switching.

**Example:** If investor “A” tendered to switch N\$50,000,000 of her/his GC15 holdings into the GC27 and only N\$30,000,000 was allotted, on settlement day the following will happen – Investor “A” will bring in GC15 securities worth N\$30,000,000 and be

issued the new GC25 based on N\$30,000,000 adjusted to switch ratio. If “A” brought a certificate worth say N\$50,000,000, she/he will be reissued GC15 worth N\$20,000,000.

## **2. TIMETABLE**

There will be a total of **four** switch auctions for the GC15 during FY2014/15. The first two auctions auction scheduled during the first half of FY2014/15 will take place on **30 July 2014** and **06 August 2014**. Subject to the market response during these auctions, two more auctions will be held during the second half of the year. The exact dates will be contained in the second Borrowing Calendar to be published in September 2014.

Seven days before the switch date, the Bank of Namibia will confirm the switch auction date, the maximum amount of the source stock, the settlement date of the switch auction, and an indication of the destination stock(s) involved. The fixed “dirty” price of the source bond will be announced the day before the auction.

## **3. AUCTION DAY**

Between 06h00 a.m. and 10h00 a.m., market participants will be allowed to submit their bids on Bloomberg to switch a nominal quantity of the source stock into the destination stock and the dirty price of the destination stock. Tenders on the prescribed forms can also be faxed to the Bank of Namibia on the facsimile number **(061) 283 5214**. **The switch ratio must be clearly indicated on the tender form, and should be rounded to no more than five decimal places**. No faxes will be accepted after 09h30 a.m. The Bank of Namibia shall not be liable for tenders that did not reach the Bank of Namibia. Thus, tenderers must confirm the receipt of their tenders with the Bank of Namibia’s Investment and Domestic Markets Division.

By 12h00, the Bank of Namibia will aim to have published the results of the switch auction. These would include the highest, lowest and average dirty prices of the destination stock and the respective conversion ratios. The results will also indicate the nominal amount of the source bond that will be switched and the nominal amount of the destination bonds that will be issued.

#### **4. SETTLEMENT DAY**

As indicated on the Borrowing calendar, settlement will take place on a t+1 basis. Successful participants will hand over certificates of the converted stock (GC15) at Bank of Namibia before **10h00 a.m.** on the settlement date, they will in turn be issued with new certificates of the destination stocks into which they have switched.

#### **5. HANDLING ODD-LOTS**

The switch of the source stock into the destination stock may translate into odd amounts of the destination stock being created. The Government shall refund odd amounts to successful bidders. For example, if a bidder got allotted N\$50,255,879.23, the Bank of Namibia shall refund N\$5,879.23 so that a bidder would be issued with GC18 worth N\$50,250,000.00.

**GENERAL TERMS AND CONDITIONS APPLICABLE DURING NORMAL GOVERNMENT  
SECURITIES AUCTIONS APPLIES TO THE SWITCH AUCTION AS WELL.**