



Bank of Namibia

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**Circular No.:
BoN/FM/01/15**

September 2019

GOVERNMENT DEBT SECURITIES OPERATIONS

**Terms and conditions governing
the switch auctions for the
Government of the Republic of
Namibia Internal Registered Stock**

TERMS AND CONDITIONS FOR THE SWITCH PROGRAM

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 source bond (maturing bond) to shift their investments into other longer dated stocks well in advance and to avoid the risk of not getting an allotment of other stocks upon the maturity of the stocks. The switching will be done in line with prevailing market yields for both the source and destination stock.

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.

1. SWITCHING METHOD

Participation: The Switch will be carried out on a voluntary basis and only holders of the source stock 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 Bank of Namibia will fix and publish the yield and the equivalent “dirty”/all-in price of the source stock. 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 GC20 dirty price of 99.36271 and a GC22 “dirty” price of 95.55491, the switch ratio will be $99.36271/95.55491 = 1.03985$. 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 GC20 holdings into the GC22 and only N\$30,000,000 was allotted, on settlement day the following will happen – Investor “A” will bring in GC20 securities worth N\$30,000,000 and be issued the new GC22 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 GC20 worth N\$20,000,000.

2. TIMETABLE

Switch auctions will be pre-announced in the 6-months issuance calendar. 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 07h00 a.m. and 10h30 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 (Source Bond) at Bank of Namibia before **10h30 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 at the price of the destination bond. For example, if an investor got allotted a nominal amount of N\$993,363.83 for the new bond, this amount will be rounded down to nearest N\$10,000.00 (Ten thousand) so that a bidder would be issued with a new Bonds worth N\$990,000.00. The difference of N\$3,363.83 will be paid back to the bidder at price of the destination bond.

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