



GOVERNMENT OF LIBERIA TREASURY BILLS AUCTION

(RULES & REGULATIONS)

1.0 INTRODUCTION

1.1 OVERVIEW

Governments, worldwide issue Treasury Bills to raise funds needed to finance short-term operating and cash management needs. While Governments also finance their operations through taxation and levies, sometimes these amounts are not sufficient. To finance the difference between the expenditures and revenues (i.e. deficits), one alternative available to Governments is borrowing from the public via the issuance of treasury securities.

Treasury Bills are also issued in order to develop the domestic money market, as they provide additional investment avenues for both institutional and individual investors. The presence of a T-Bills market offers a number of benefits to a country's financial system.

In Liberia, the major objectives of issuing Treasury Bills, among others, are to:

- provide a liquid Liberian dollar investment with no risk of default for institutional and individual investors;
- provide an instrument for the banking system and the Central Bank of Liberia (CBL) to manage liquidity in an effective manner (a bank's holdings of Treasury bills may be included in computing its liquid asset ratio);
- establish a market in government securities, which will eventually serve as a benchmark for a corporate debt market;
- encourage the development of domestic (interbank) money and capital markets; and
- put in place a possible source of funding for the Government.

1.2 PURPOSE

These Rules and Regulations - including the appendices – shall govern the issuance and redemption of Treasury Bills issued by the Government of the Republic of Liberia.

1.3 TERMINOLOGY

“**Auction**” means a bidding process that the Central Bank of Liberia uses to allocate and sell Treasury Bills.

“**Treasury Bills**” also known as T-Bills are securities issued at a discount, redeemed at their face value at maturity, and have maturities of not more than one year. They are direct obligations of the Government of Liberia.

“**GoL**” means Government of Liberia.

“**CBL**” means the Central Bank of Liberia.

“**MoF**” means Ministry of Finance.

“**Bid**” means an offer to buy a stated face value of Treasury Bills in an auction.

“**Bidder**” means a person or entity who bids in an auction.

“**Book Entry**” GoL Treasury Bills will be issued in “book-entry” form. This means that the electronic record of holdings of securities kept by the Central Bank of Liberia shall be adequate proof of ownership of Treasury Bills by the registered owner.

“**Book Value**” is the face value of securities less any discount amount.

“**Face Value**” means the stated value of a T-Bill at original issuance.

“Maturity Date” means the date on which a T-Bill becomes due and payable.

“Business Day” means any day other than weekend and public holidays when the CBL is opened to provide banking functions.

1.4 AUTHORITY

Treasury bills are authorized to be issued under the provisions of the Public Finance Management (PFM) Act of 2009, at Section 28 under Part V, in limits approved by the National Legislature in the National Budget in line with Article 34 (d) of the constitution of Liberia concerning the Borrowing of money by the Government. The Government of Liberia has instructed the CBL, as its fiscal agent, to raise funds in the domestic market by issuing Treasury Bills via auction and the maintenance of a registry. Treasury Bills issued under the above-mentioned legal authorities are exempt from all stamp and transfer duties.

2.0 AUCTION

2.1 AUCTION CALENDER

Auctions will be conducted monthly, on the first Thursday of each month, starting at 10:00 a.m. on the premises of the Central Bank of Liberia. Initially Treasury bills with a term to maturity of 91 days will be issued. If the auction day falls on a national holiday, the auction will be conducted on the next Business Day. Pre-announcing the issuance of Treasury Bills reflects the CBL's desire for greater transparency and accountability, and the market's need for greater predictability and certainty. A pre-announced issuance calendar enables market players and investors to plan and invest more efficiently.

2.2 AUCTION FORMAT

The auctions will be conducted using a multiple bid interest rate auction format. In other words, more than one bid per participant is allowed and successful bidders pay an amount based on the interest rate bid. This is different from a uniform-price auction format, where all successful bidders pay a uniform price.

2.3 ELIGIBLE BIDDERS

The auctions are open only to commercial banks with accounts at the CBL. The CBL will maintain Treasury Bills accounts only for the commercial banks. Accounting for T-Bills transactions between banks and their clients will be the commercial banks' responsibility. The banks may charge for these services.

2.4 COMPETITIVE BIDS

By submitting a competitive bid, the applicant wants to be allotted with Treasury bills only at the interest rate bid on his/her application.

2.5 NON-COMPETITIVE BIDS

By submitting a non-competitive bid, the applicant will pay the weighted average of all successful competitive bids. Non-competitive bidding (excluding the CBL's participation) is capped at an overall limit of five percent (5%) of each auction, with pro-rated allocation within this cap if necessary.

2.6 RESPONSIBILITY FOR PAYMENT

By submitting a bid, a bidder agrees to pay the book value for any security awarded to it in an auction.

2.7 AUCTION ALLOCATION

The Treasury Operations Section at the CBL will be responsible for carrying out the auction allocation process and, if necessary, rejecting any bid that does not conform to the bidding rules. After the close of an auction, the Treasury Bill amount on offer is reduced by the total amount of non-

competitive bids (subject to the 5% of total issue for non-CBL bids maximum) and the balance of the issue is then allotted to competitive bids from the lowest to highest interest rate. If the amount of successful bids at the highest rate causes the cumulated total of successful bids to exceed the total amount offered, each bid at that rate will be pro-rated. The prorating percentage will be announced with the auction results. (“The percentage allocation at the cut-off rate.”)

If the total value of non-competitive bids tendered exceeds five percent (5%) of the issue size on offer, the amount allotted to each non-competitive bidder will be pro-rated. This “allocation percentage for non-competitive bids” will also be announced with the auction results.

3.0 SECONDARY MARKET

Banks may buy and sell Treasury Bills between themselves and their customers at rates (prices) subject to mutual agreement. Only banks are eligible to sell bills directly to the CBL. The CBL must be notified of any secondary market purchases and sales between banks.

The CBL may decide to establish a Treasury Bill discount “window” whereby it would announce a rate at which it is prepared to buy/repo Treasury Bills at the banks’ discretion.

4.0 CENTRAL BANK OF LIBERIA PARTICIPATION

At auctions

The CBL may participate in the auctions for its needs, but only on a non-competitive basis. The amount purchased by the CBL will be announced with the auction results. The CBL will not automatically underwrite the auctions.

In the Secondary market

The CBL may buy and sell Treasury Bills in the secondary market for its own balance sheet purposes. It will not be a continuous market maker.

5.0 AUCTION COMMITTEE

This committee will confirm the auction results and will be comprised of officers from the Treasury Operations Section and the Departments of Research, Banking, and Finance of the CBL as well as a representative, from the Ministry of Finance, designated by the Minister of Finance.

The Deputy Governor of the Central Bank will chair committee sessions. The committee will meet at 11.30 a.m. on the day of the auction to review the auction results, and review any rejected bids and the reasons for their rejection. If the entire amount offered has not been taken up (i.e. the auction was undersubscribed) the Committee will decide if the CBL will underwrite the auction (i.e. take up the under- subscription). The committee will also decide on the amount to be announced for the next auction – consistent with the GoL's borrowing requirement as represented by the MoF and approved by the Debt Management Committee.

A majority of members present at meetings will form a quorum. In the absence of the Deputy Governor, the Auction Committee will be chaired by the Head of Treasury Operations.

6.0 AUCTION ANNOUNCEMENT

The CBL will announce – to the public - the auction results on the next Business Day following the auction. These results, along with the size¹ and the date of the next auction, will be published in local dailies and on the CBL

¹ Size refers to the tender amount i.e. the total face value of the bills to be offered at a given auction.

website (www.cbl.org.lr). Also, any change in the terms and conditions governing the auctions will be announced publicly through the newspapers and the Bank's website at least seven (7) business days prior to the scheduled auction.

Each auction announcement will contain: amount offered, auction date, maturity date, closing time for receipt of bid forms and settlement date.

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

7.0 SUBMISSION OF BIDS

7.1 BID MINIMUM AND INCREMENTS

Each competitive bid must be for a minimum of L\$250,000.00 and thereafter, in increments of L\$50,000.00. Non-competitive bids must be a minimum of L\$50,000.00 and thereafter, in increments of L\$10,000.00.

7.2 BID FORMAT

Competitive bids shall state the interest rate and the amount (face value) for each bid subject to the minimum and incremental constraints as stated above. The interest rate must be specified to 2 decimal places. (e.g. L\$500,000 at 5.15%).

Non-competitive bidders need only give the amount bid subject to the minimum and incremental constraints as stated above. Banks are limited to a maximum of four (4) competitive bids.

7.3 DELIVERY of BID LETTERS/FORMS

Each auction bidding form should be enclosed in a sealed envelope addressed to the Head of Treasury Operations and marked on the outside "T-Bills Auction Bids". Each bid will be registered by a designated staff of the

Treasury Operations Section of the CBL and deposited in the auction box provided. All bids should be delivered to the Bank not later than 9:00 a.m. on the day of the auction.

7.4 ACCEPTANCE/REJECTION OF BIDS

The CBL reserves the right to accept or reject any or all bids but must explain the reasons for rejection to the bidder(s) whose bid(s) were rejected.

8.0 SETTLEMENT AND REGISTRATION

8.1 DETERMINATION OF SETTLEMENT PRICE

The settlement price (P) for Treasury Bills is calculated using the following formula;

$$P = F \times (1 - (t \times Y) / 365)$$

Where: P = the settlement price

F = the face value of the amount bid

t = the number of days remaining to maturity

Y = the interest rate specified in the bid expressed as a decimal

Example: if the interest rate on a successful bid was 5.15% and the bid is for L\$1,000,000.00 of 91 day treasury bills;

$$\begin{aligned} \text{Then: the settlement Price} &= \text{L\$1,000,000} \times (1 - (91 \times .0515) / 365) \\ &= \text{L\$1,000,000} \times (1 - (0.012839726)) \\ &= \text{L\$1,000,000} \times .98710274 \\ &= \text{L\$987,102.74} \end{aligned}$$

The difference between the settlement price and the face value (L\$12,897.26) is the interest that would be earned if the bill is held to maturity date.

8.2 SETTLEMENT

All Treasury Bills transactions must be settled on the same day as the auction. Successful bidders' current accounts at the CBL will be debited with the aggregate settlement price of all T-Bills won at the auction. Successful bidders must ensure that their current accounts are sufficiently funded on settlement day to meet the settlement obligations arising from participation in the auction. Where a bidder fails to pay fully for Treasury Bills on settlement day, the CBL may, at its discretion, exclude that bidder from participating in subsequent auction(s). The CBL reserves the right to cancel or take-up any Treasury Bills that are not fully paid for by a successful bidder on settlement day.

Upon maturity, respective accounts of the relevant participants will be credited with the aggregate face value of all T-Bills concerned. All settlements of maturing Treasury Bills will take place on the same day of maturity. In the event that a T-Bill matures on a non-Business Day, settlement shall take place on the following Business Day.

The Treasury Bills' registry for the banks will be managed by the CBL. There will be no physical certificates issued.

8.3 TRANSFER OF TREASURY BILLS

The CBL may facilitate the transfer of securities between bank holders and charge a fee for this service. Requests for transfer must include the following:

- a 'Joint Transfer Letter of Application' correctly and legibly written, giving details of the nature of the transaction underlying the transfer, specifying the maturity date of the bills and the desired settlement date, and signed by both parties;
- a completed T-Bill Transfer Request Form;

The above must be delivered to the Head of Treasury Operations at least 48 hours before the desired settlement day.

9.0 ANNOUNCEMENT OF AUCTION RESULTS

Treasury bills auction results will be published on the next Business Day following a given auction. The publication shall include the following:

Issue Date; Maturity Date; Total amount offered;

Total amount issued;

Of which: Non competitive bids-

Central bank of Liberia-

Total number of bids;

Total number of bids accepted; Average accepted bid (discount) rate;

Lowest interest rate bid; highest interest rate bid;

Highest interest rate bid accepted; Average discount price;

Percent cut-off at highest interest rate accepted;

Allocation percentage for non-competitive bids;

CALL FOR TENDER

**OFFER OF THREE MONTHS (91-Day) AND SIX MONTHS (182-DAY)
GOVERNMENT OF LIBERIA TREASURY BILLS
DATE: _____ 2010**

The Central Bank of Liberia will auction two series of Treasury Bills totalling L\$ _____ to be issued on Thursday, _____ 2010. This offering of Treasury Bills is governed by the Rules & Regulations of the Government of Liberia Treasury Bills Auction. All tenders for the bills must be enclosed in a sealed envelope addressed to the Head of Treasury Operations and marked on the outside “T-Bills Auction Bids.”

Term =====>	91-Day Bill	182-Day Bill
I.D. Number =====>	T-0001	N-0001
Amt. to be issued->	L\$ xxx,xxx,xxx	L\$ x,xxx,xxx,xxx
Issue Date =====>	xx-xx-2010	xx-xx-2010
Maturity Date ===->	xx-xx-2010	xx-xx-2010

All bids should be delivered to the Bank not later than 9:00 a.m. on the day of the auction.

BIDS EXCEEDING ___ % MAY BE REJECTED!!!

T-BILL AUCTION COMPETITIVE BIDDING FORM

(Please fill in block letters)

1. Tender No..... Term Maturity Date.....
2. Name of Bank.....
3. Address of Bank.....
4. **Client ID No.:**

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5. **Account No.:**

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6. Name of Applicant.....Date.....
Department/Title.....Tel. Number.....
7. Signature of Applicant.....

Bid Amount (L\$)	Interest Rate

Submit Applications to: Head of Treasury Operations
Central Bank of Liberia
Monrovia, Liberia



T-BILL TRANSFER REQUEST FORM

Transfer No.....

For reason of agreement entered into, the **Transferor** named, does hereby **Transfer** to the **Transferee** named, **The Government of Liberia Treasury Bill** specified below subject to condition(s) specified in the 'Joint Transfer Letter of Application.'

Auction Number: Issue Date..... Maturity Date:.....

Face Value:.....L\$ Amount in words

Transferor Details

Name of Bank

Address.....

Transferee Details

Name of Bank.....

Address.....

Signed and delivered by the parties to this transfer on this day of ____ 2010.

For Transferor

For Transferee

Name.....

Name.....

Designation.....

Designation.....

Signature.....

Signature.....

Date

Date.....

CALL FOR TENDER

**OFFER OF THREE MONTHS (91-Day)
GOVERNMENT OF LIBERIA TREASURY BILLS
DATE: February 02, 2011**

The Central Bank of Liberia will auction Treasury Bills totalling **L\$ 100,000,000** to be issued on **Thursday, February 03, 2011**. This offering of Treasury Bills is governed by the Rules & Regulations of the Government of Liberia Treasury Bills Auction. All tenders for the bills must be enclosed in a sealed envelope addressed to the Head of Treasury Operations and marked on the outside "T-Bills Auction Bids."

Term =====>	91-Day Bill
I.D. Number =====>	T-0001
Amt. to be issued->	L\$ 100,000,000
Issue Date =====>	February 03, 2010
Maturity Date =====>	May 02, 2010

All bids should be delivered to the Bank not later than 9:00 a.m. on the day of the auction.

BIDS EXCEEDING 6.00% MAY BE REJECTED!!!