



CENTRAL BANK OF SAMOA SECURITIES
OPERATIONAL GUIDELINES

Monday, 15 February, 2016

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Issued on February 2016

Serial No. OG- 05/16

Central Bank of Samoa Security Description

1. The Central Bank of Samoa (“the Bank”) gives notice that it is authorised to issue Central Bank of Samoa Securities (“Securities”) in terms of Section 51 (c) of the Central Bank of Samoa Act 2015. These Securities will be sold by tender and are offered as an alternative investment opportunity for the public. The successful bidders for tendered Securities are provided with Security reference numbers when informed by letter of the outcome of their bids. The Securities are denominated in Samoan Tala and are sold at a discount to par and carry no coupon rate. The Securities are redeemable at par on maturity or may be rediscounted at the prevailing discount rate at the Bank if redeemed prior to maturity.

Fees

2. The registration, issue, transfer and redemption of Securities will be made free of any duty, charge, or levy, except to the extent required by law. The withholding tax provisions of the Income Tax Act 2012 apply to the Securities.

Deductions

3. In accordance with the provisions of the Income Tax Act 2012, withholding tax will be deducted from payments of interest to Security holders, unless an original or certified copy of an exemption certificate is produced to the Bank, two Banking days before the maturity date.

Announcement of Periodic Tenders

4. Invitations to tender for Securities will be made by the Bank, at the latest, two days before the closing date of each tender, by information release available from the Bank and advertisements published on the CBS website. Invitations to tender will include the following information:

- the amount, issue dates and the maturity dates of the Securities for which bids are invited;
- the closing date and time for bids;
- the manner in which bids should be placed;
- settlement arrangements;
- the announcement date and time of results of such tenders.

5. All invitations to tender and all tenders for Securities shall be made in terms of and pursuant to the Prospectus issued February 2016 and this Operational Guidelines. *However,*

no liability will be assumed by the Bank for the non-receipt or any delay in the receipt of the Invitation to Tender by any prospective bidder

Eligibility criteria

6. Bids may be placed only by bidders who are registered with the Bank. All prospective bidders must make an application for registration as a bidder at least two banking days before the day of the tender. Once registered, a bidder need not apply for registration in respect of subsequent tenders unless the registration has been cancelled by the Bank or the bidder needs to change any part of its existing registration.

- Only residents of Samoa are eligible for registration and only those residents who are 18 years of age and older will be considered for registration.
- Residence is normally determined by the country in which the individual is living at the time and either has been or intends to continue so living for more than one year.
- When, therefore, an individual who has hitherto been resident abroad comes to Samoa for a period of one year or less than one year, he will normally be regarded as a non-resident.
- A business established in Samoa is normally regarded as a resident.
- Members and staff of the Central Bank, including their immediate relatives, are not eligible to bid for the Securities.
- The Bank reserves the right to reject any application for registration or to cancel any such registration at any time.

Application forms for registration are available for download from the CBS website or can be uplifted from the (Domestic Markets Division) Financial Markets Department, Central Bank of Samoa, Central Bank Building (Ground Floor), Apia. Application forms must be completed and delivered to the Domestic Markets Division for processing of registration. Applicants will be informed on whether or not they have been accepted to the register of bidders. For more information, contact the Manager, Financial Markets (telephone 34171) or the Assistant Manager – Domestic Markets (telephone 34152).

Amounts of Bids

Competitive Bids

7. A competitive bid is one where the investor specifies the amount to be invested at the yield to maturity (interest rate) that he or she is willing to accept. Investors may submit any number of (multiple) bids, with each bid at a different yield to maturity. Each bid for Securities must conform to the amounts specified in the ***Invitation to Tender*** corresponding to the upcoming auction and the CBS Securities Prospectus issued February 2016.

Non-Competitive Bids

8. A non-competitive bid is one where the investor specifies the amount to be invested at the *weighted average yield of the accepted competitive tenders*. Only one non-competitive tender may be submitted per investor per tenure, otherwise all of an investor's non-competitive bids will be rejected. Bids must conform to the amounts specified in the

Invitation to Tender corresponding to the upcoming auction and the CBS Securities Prospectus issued February 2016.

Yield to maturity for competitive bids

9. Bids must be priced in terms of a yield percent per annum. Each competitive bid must state clearly the yield to maturity (percentage per annum) sought by the bidder. The yield should be expressed to the second decimal place (for example, 3.25%, 4.55% or 5.12%). Bids containing yields with decimal places of one or beyond two will be disregarded and considered rejected.

Submission of Bids

10. Bids must be submitted by entering all the required details in the prescribed tender form that can be downloaded from the CBS website or uplifted from the Domestic Markets Division at the address given above. The completed tender form(s) must be signed by the person/s whose signature/s has been registered with the Bank.¹ The completed tender form(s) should be sealed in an envelope(s) and deposited in the special Tender box provided at the Enquiries Counter, Ground Floor (Level 1) of the Central Bank of Samoa Building (Ground Floor), Apia; before the closing time stipulated in the Invitation to Tender. *Closing time taken is that specified on the CBS Clock on the CBS Foyer, Ground Floor of the CBS Building.*

11. No bid may be withdrawn or amended after it has been lodged.

Acceptance or Rejection of Bids

12. The Bank reserves the right to accept bids for the full amount on offer in the tender or any part thereof. The Bank also reserves the right to reject any bid or part thereof on any grounds whatsoever.

Allotment of Securities ***Competitive Bids***

13. Allotment of Securities in respect of bids accepted by the Bank will be made in ascending order of yields bid, until the total face value of Securities offered or a lesser amount as determined by the total amount of acceptable bids, is taken up. At the highest yield accepted, Securities will (if necessary) be allotted as far as practicable on a pro-rata basis in relation to the amount available at the yield, except that no successful bidder shall be allotted an amount that is not an exact multiple of the minimum amount specified (face value).

Non-Competitive Tenders

14. Non-competitive tenders will be allocated up to 10% of the face value of the total amount offered. However, the maximum amount for a non-competitive bid is SAT\$100,000

¹ In the case of commercial banks, the authorised signatories refer to those registered for any transaction with the Central Bank (e.g Exchange Settlement Account operations) or in a separate authorised signatory list sent to the Bank specific to CBS Securities/Open Market Operations; whichever is available from time to time.

per bidder per tenure. The price of such tenders will be calculated by applying the weighted average yield of the accepted competitive tenders. When the sum of non-competitive bids fall short of the amount of bills offered for non-competitive tenders, the shortfall will be allotted for competitive tenders.

Announcement of Results

15. The results of a tender will be available from the Bank after 3:00 p.m. on the closing day of the tender. The bidders who wish to have the information immediately are, therefore, advised to telephone the Manager, Financial Markets Department, Central Bank of Samoa, Central Bank Building, Apia; telephone: 34171 or 34152 to obtain the results of their respective bids. The results released will be confirmed by a letter.

Settlement Amount

16. The settlement amount (cost price) of a successful bid shall be calculated on the basis of a yield to maturity and a 365 day year. The formula for calculating the settlement amount is as follows:

$$\text{Settlement Amount} = \frac{\text{Face Value}}{1 + [(Yield/100) \times (\text{Days to Maturity}/365)]}$$

The settlement amount will be rounded up to the nearest Samoan Tala.

Settlement of Bids

17. Unless otherwise stated on the Invitation to Tender, settlement must be made on issue day, which is the first Banking Day after the closing day of the tender. The successful bidders, other than the commercial banks, should settle the amount due in full by delivering cash or a cheque payable to the Central Bank of Samoa by 2:00p.m. on the issue day to the Bank. *Settlement in cash should not exceed the amount specified in the prospectus.* Receipts will be issued upon settlement on issue day and confirmation letters detailing proof of Security ownership may be uplifted once cheques have been cleared. For the commercial banks, settlement will be effected by debiting their Exchange Settlement Accounts at the Central Bank. The Bank reserves the right to cancel bids not settled as required above.

Registration of Securities

18. The Securities issued will be registered at the Bank in the name of the registered successful bidder. A letter of advice/confirmation containing the details of the security(s) will be issued to the successful bidder as proof of security ownership. Securities may be held by individual persons, or two or more persons as joint holders. Organisations or trusts that are not incorporated should complete their application in the full name/s of the trustee/s.

Register of Securities

19. The Bank shall enter in the Register the following particulars of the Securities and their holders at issue date:

- Name and address of the Security holder;
- Face Value (Principal) of the Securities held;
- Issue date and Maturity Date of the Securities;
- Settlement amount of the Securities;
- Yield rates of the Securities; and
- Such other particulars as it may, from time to time be required by the Bank.

The Bank may correct errors and remedy omissions in the Register and may call in any existing confirmation letters. The Bank will advise Security holder(s) of such corrections with subsequent delivery of amended confirmation letters detailing the correct information.

Transfer of Ownership

20. The Securities are negotiable and transferable. However, they may only be transferred to a resident of Samoa and only to those residents who are 18 years of age and over. Transfer or change of ownerships must be made known to the Domestic Markets Division and may be affected by an authorised letter from the Central Bank of Samoa. Each transfer of Securities must be of a minimum amount of \$1,000 (face value) and in multiples of \$100 (face value) thereafter. Upon the Security's maturity, repayment will be made to the last holder of the Security.

Rediscounting at the Bank

21. The Securities may be sold back to the Bank before they mature, at a discount rate determined by the Bank, based on the liquidity conditions in the financial system at any point in time.

The Bank may also offer to buy back any outstanding bills from time to time at negotiable prices.

Repurchasing at the Bank

22. This facility is only available to commercial banks holding CBS Securities. In the event a commercial bank falls short of liquidity and wishes to employ the repurchase facility, which allows borrowing of liquidity for overnight to maximum thirty (30) days, there will be a fixed surcharge, to be determined by the Central Bank from time to time, added to the repo rate. After the permissible thirty days borrowing, the Central Bank will sell back the Security to the commercial bank unless the bank wishes to re-borrow for another thirty days and a new repurchase agreement is calculated.

Repayment on Maturity

23. The maturity date of each issue of Securities will be specified in the Invitation to Tender. A CBS letter will be issued to the Security(ies) holder(s) notifying them of the maturing CBS Security, at 3pm one Banking Day prior to the maturing date. Where applicable, it is the responsibility of the Security(ies) holder(s) to notify the Central Bank of any change of address or contact details from time to time for repayment of maturing Securities. The Bank will repay the face value of the Securities, after deducting the withholding tax applicable to the interest component. Security holders are repaid starting

from 2.00pm on the day the Securities mature. If the maturity day is a Bank Holiday, repayment is made on the next Banking Day without payment of additional interest².

24. Repayment of Securities will be made by cheque only and upon surrendering the original confirmation letter or letter of advice for the Securities that have matured. In the case of Securities which have remained with the registered holder, repayment cheques will be despatched in accordance with the option specified by that holder on the tender form. In the case of Securities which have been transferred, repayment cheques will be despatched to the last holder of the said Securities. The last holder in the latter case will be required to show adequate proof of identity before any payment is made.

25. Repayment of Securities held by commercial banks will be credited to their Exchange Settlement Accounts held with the Central Bank.

Reissue of Security Ownership Title

27. Where applicable, a Security may be reissued in smaller denominations (minimum SAT\$1,000) up to a maximum of four Security and totalling its original face value, upon submission of request to the Central Bank of Samoa. A Security can only be reissued to its last holder.

² A Bank Holiday refers to holidays when the commercial banks are closed for the day. This is the same as public holidays declared by Government.

DEFINITIONS

Banking Day	Means a working day not being a Saturday, Sunday or a day declared by the Government or the Bank as a statutory holiday applicable to banks in Samoa.
Invitation to Tender	Means an invitation issued pursuant to the Prospectus specifying the details of the Securities to be offered by way of tender.
Issue Date	Means the date, as specified in the Invitation to Tender, from which the life of the Security starts. It is also the date on which the Security's full cost price is to be paid or settled. It is also known as the Settlement Date or Value Date.
Last Holder	In the case of a Security which have remained with the registered holder throughout its specified term, the last holder is the registered holder. In the case of a transferred Security, the last holder is the one to whom the Security was last transferred.
Maturity Date	Means the date, as specified in the Invitation to Tender, on which the Securities will be redeemed or repaid by the Bank.
Prospectus	Means the relevant Prospectus for Central Bank of Samoa Securities.
Registrar	Means the registrar of Central Bank of Samoa Securities which is the Central Bank of Samoa.
Resident of Samoa	Means a person or body corporate defined as a Resident of Samoa for the purpose of administration of Exchange Control regulations by the Central Bank of Samoa under the Central Bank of Samoa Act 2015 and the Exchange Control Regulations, 1999.
Yield to maturity	Means the percentage rate of return per annum on the price at which the Securities have been issued to the successful bidders.

DIRECTORY

For all matters relating to the Central Bank of Samoa Securities, please contact:

The Manager,
Financial Markets Department,
Central Bank of Samoa,
Central Bank Building (Ground Floor),
Apia.

Tel: 34 171; 34152

Fax: 20293; 24058