

GOVERNMENT OF FIJI

PROSPECTUS FOR REOPENING OF FIJI GOVERNMENT BONDS

(Authorised by Parliament via 2016-2017 Appropriation Act 2016 on 7 July, 2016 the raising of domestic loans totalling \$291,511,000 for approved capital expenditure by the Fijian Government ('Government') during August 2016 to July 2017)

1. Purpose

The proceeds of the bonds will provide part of the \$1,454,065,200 required to finance the approved Government capital expenditures during August 2016 to July 2017 which include, but is not limited to:

- Upgrade of various Roads;
- Upgrading of Ports, Jetties and Airports;
- Rural Electrification Project;
- Divisional Development Projects;
- Repair and Upgrade of Public Buildings, Water Supplies and Sewer Lines;
- Drainage, Dredging Works and Bridge Construction;
- Upgrade of school buildings and equipment; and
- Upgrade and maintenance of hospitals and purchase of new machines and equipment.

For more details and a breakdown of the capital expenditure, refer to the 2016 - 2017 Budget estimates.

2. Auction Calendar

A tentative schedule of reopening of Fiji Government Bonds ('Bond' or 'Bonds') for the 2016 – 2017 financial year is attached to the Prospectus.

3. Issuance Method

The Bond will be made available to the market by means of auction or any other method as determined by the Government.

The reopening of Bonds by auction will be on yield basis and bids must be expressed to a maximum of two decimal places (e.g. 9.0%, 9.01%). Decimal points beyond two places will be disregarded.

The Government will be at liberty from time to time to issue Bonds fungible, respectively, with any outstanding series of Bonds. Any such new issuances, which are a reopening of existing Bonds, will have the same Maturity Date, Coupon Interest Rate and Security Identification Code but different issue date and usually a different settlement price.

4. Competitive and Non-Competitive Tenders

Tenders will be received on a competitive or non-competitive basis as follows:-

Competitive Tenders will be accepted for a minimum nominal amount of \$10,000 and for multiples of \$1,000. Each tender must be made on the form attached as Part B of the Prospectus.

Non-Competitive Tenders will be accepted for a minimum nominal amount of \$50 and for multiples of \$50 up to a maximum amount of \$100,000 limited to one tender only per maturity. These tenders will be accepted at the weighted average yield of accepted competitive tenders only.

5. Lodgement of Tenders

All tenders must be lodged at the Reserve Bank of Fiji (**'the Bank'**), Pratt Street, Suva and placed in the special tender box at the "Enquiries" counter at Tower 2 of the Bank. Details on the opening hours for lodgement of tenders will be published in the Notices of Issuance.

6. Payment of Tenders

A bank cheque for the full Face Value of the amount tendered for, must accompany all tender forms lodged. Such cheque is to be made payable to the Bank.

Successful bidders are required to settle their bids within one day after notification of the auction results (T+1), the issue date. The settlement amount will include the Face Value and the Accrued Interest on the existing Bond either from the original date of issuance of the Bond in case no interest has been paid yet or from the date of last Coupon payment to the settlement date. If the settlement amount for an accepted tender exceeds the Face Value, the successful bidder is to settle the difference by 12.00pm on the issue date. If, however, the settlement amount is lower than the Face Value, then any excess payment will be refunded on the issue date.

Note that the settlement for the successful tenders will be on 'dirty price' basis as explained in Part A attached. Payment by the successful bidder on reopened Bonds is the sum of the clean price plus accrued interest on the existing Bonds:

$$\text{Settlement Price} = \text{Clean Price} + \text{Accrued Interest}$$

7. Allotment

Competitive Tenders: Allotments will be made in ascending order of percentage yield tendered. The Government reserves the right to accept tenders less than or in excess of the amount in the invitation to tender.

In the event of a shortfall in allotments, the Bank may accept for its own account the balance of Bonds not allotted by tender at the weighted average yield for accepted and allotted competitive tenders. However, if no competitive bids are allotted, the Bank may use the yield for the relevant maturities as per the latest yield curve published by the Bank.

Letters of allotment will be despatched on **the issue date** together with:-

- a) refund cheques (for the difference in the nominal amount tendered);
- b) cheques for unsuccessful tenders.

Non-Competitive Tenders: Will be allotted in full.

Registered Bond Certificates will be issued within thirty days of the payment for the auction.

8. Coupon Interest and Payments

Coupon Interest is calculated on the Face Value of the Bonds and payable by the Bank every six months over the duration of the Bond. Coupon Interest due will be paid by the Bank directly into the Bondholder's nominated commercial bank account through the FIJICLEAR Payments System. In the case of joint Bondholders, interest will be paid to the person first named on the tender form. Bondholders may liaise directly with their commercial banks to confirm receipt of funds.

The first Coupon Interest Payment will be for a full semi interest annual period. If the Coupon Interest date is not a working day, payment will be made on the next business day without payment of additional interest.

Coupon Interest will cease to accrue on the Bonds from the Maturity Date.

The Registered Bond Certificate must be presented to the Bank for payment at maturity. Bondholders are also required to notify the Bank of any changes in address or contact details without delay to assist with the above.

The Government will have, on the expiry of the minimum period or any earlier period mutually agreed to by the Government and the investor, the option of redeeming all or part of this issue of Bonds at par on giving not less than three months' notice in the Gazette and at least one daily newspaper circulating in Fiji of its intention to do so and upon expiration of the said three months the principal shall become payable and interest shall cease to accrue.

9. Registration and Transfer of Ordinary Bonds

Bonds can be registered in the name of one, two or three individuals, or of corporate bodies, but not in the name of unincorporated trusts, clubs, societies etc.

No notice of any trust, expressed, implied or constructive, in respect of any Bond shall be entered on the Register, or be received by the registering authority.

Transfer of Fiji Bonds must be in multiples of \$50. Forms of transfer are obtainable from the Bank. The Bank shall not be required to make a transfer during a period of 14 days preceding any interest payment date.

10. Trustee Investment

A Bond is an authorised investment for trustees in Fiji.

11. Security

The Bond and interest payable on the Bond are a charge on and payable out of the Consolidated Fund of the Government.

12. Public Debt

The domestic debt for Government Bonds amounted to \$3,079,840,500 on 31 July 2016.

13. Tender Form

A tender form is attached to this Prospectus as Part B.

14. Income Tax

Interest is subject to normal tax and should be included in returns of income submitted to the Chief Executive Officer of the Fiji Revenue and Customs Authority.

15. Stamp Duty

Issues and transfers of Fiji Government Bonds will be free of stamp duty imposed by the Government.

16. Tender Cancellation or Postponed

The Government reserves the right to cancel or postpone a tender by reason of any circumstance.

17. Over Subscriptions

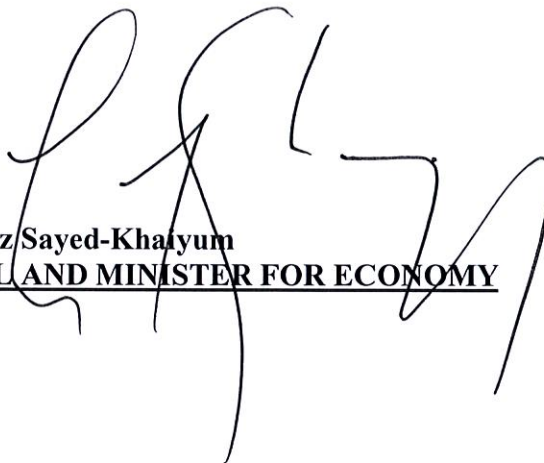
The Government reserves the right to accept tenders in excess of the amount specified in this invitation to tender, within the limits for loan raising laid down by the Parliament.

18. Registry

The Registry of the Bonds will be at the office of the Bank in Suva, Fiji.

19. Currency

All the amounts in this Prospectus are expressed in Fijian Currency.



Aiyaz Sayed-Khatyuni
ATTORNEY-GENERAL AND MINISTER FOR ECONOMY

Date: 26th May 2017

PART A

I. Reopening of Bond Issue

Reopening a Bond issue is issuing additional amounts of a previously issued Bond. Reopened Bonds have the same maturity date and interest rate as the original Bonds, but they are sold on different dates and usually at a different price.

II. Formula to Calculate Bond Price per \$100

$$PRICE = \left[\frac{\text{redemption}}{\left(1 + \frac{yld}{\text{frequency}}\right)^{\left(N - 1 + \frac{DSC}{E}\right)}} \right] + \left[\sum_{k=1}^N \frac{100 \times \frac{\text{rate}}{\text{frequency}}}{\left(1 + \frac{yld}{\text{frequency}}\right)^{\left(k - 1 + \frac{DSC}{E}\right)}} \right] - \left(100 \times \frac{\text{rate}}{\text{frequency}} \times \frac{A}{E} \right)$$

↓ where:

- ↓ DSC = number of days from settlement to next coupon date.
- ↓ E = number of days in coupon period in which the settlement date falls.
- ↓ N = number of coupons payable between settlement date and redemption date.
- ↓ A = number of days from beginning of coupon period to settlement

$$DSR = E - A$$

$$T1 = 100 \cdot \frac{\text{rate}}{\text{frequency}} + \text{redemption}$$

$$T2 = \frac{yld}{\text{frequency}} \cdot \frac{DSR}{E} + 1$$

$$T3 = 100 \cdot \frac{\text{rate}}{\text{frequency}} \cdot \frac{A}{E}$$

$$Price = \frac{T1}{T2} - T3$$

To determine the dirty (gross) price (SETTLEMENT PRICE) of a security, one would need to derive the amount to be settled and accrued interest has to be added.

The amount of accrued interest is for any settlement is:

Accrued Interest = Amount of next coupon due * (number of days between settlement date and previous coupon date) / (number of days between next coupon date and previous coupon date)

Settlement Price is therefore the price of the bond calculated using PRICE () + Accrued Interest. No difference between the dirty (gross) price and the clean price occurs, if the settlement date is the issuance date or any coupon payment date.