INVESTING IN
SWAZILAND
GOVERNMENT
TREASURY
BILLS

ISSUED BY
CENTRAL BANK OF SWAZILAND
ON BEHALF OF
GOVERNMENT OF SWAZILAND

What are Treasury bills (T-bills)?
These are risk free short-term debt instruments (91-Day paper) issued by the Central Bank of Swaziland on behalf of the Government of Swaziland. When T-bills are bought, one cannot cash them before maturity but one can sell them in the secondary market either to a primary dealer or the Central Bank of Swaziland. Because they are government-backed securities, they can be and are recognized as collateral by registered financial institutions.

What is the legal basis for T-bills?
Treasury Bills are issued under the provisions of the Treasury Bills and Government Stock Act 1994 amended, which sets a debt ceiling for the Minister for Finance on how much the government can borrow from the domestic market. Currently, this debt-ceiling is E1 billion and the Government has instructed the Central Bank of Swaziland as a fiscal agent for Government, to raise funds in the domestic market by issuing Treasury bills.

Why does the Government issue T-bills?
The Government of Swaziland, like other governments, issue T-bills to raise money needed to pay its expenses. While Government also finances its operations through taxation and levies, sometimes these amounts are not sufficient. To finance the difference between the expenditure and the revenue (i.e. if it is a deficit), then Government may borrow by issuing securities. The Government also issues T-bills in order to develop the domestic money market as they provide additional investment avenues for both institutional and individual investors.

How do individuals invest on T-bills?
The Government issues T-bills in large denominations with a minimum of E10, 000. T-bills are sold at a discount to their face value meaning you pay less than what you'll get back when the Government pays you at maturity.

Applications are made at a discount rate, for example for an individual investor who bids for E10, 000 at a discount rate of 9.000% this means the investor pays E9, 775.62 on the issue date and receives E10, 000 after three months, that is at maturity. The gain is E224.38 – i.e. the difference between the purchase price of the T-bill and what the Government pays at maturity.

Eligibility of bidders/participation on T-bills
Auctions are open to all bidders; this includes commercial banks, non-bank financial institutions, stockbrokers, and corporate and individual investors. Non-residents are also eligible to participate.

Currently, the Primary Dealers are Nedbank (Swaziland) Ltd, Standard Bank Swaziland Ltd, First National Bank of Swaziland (FNB) and Swaziland Development and Savings Bank (Swazi Bank).

How does one submit bids?
Investors can contact any of the Primary Dealers to make an application. In turn, they will then submit your application at the Central Bank. Although the Central Bank does not charge fees to process a bid, Primary Dealers may charge you a small fee.

Applicants can also go directly to the Central Bank to purchase T-bills. The applicant should bring an identity card, bank account details, proof of residents and the amount applied for. That can be cash (for amounts not exceeding E10, 000) and a bank cheque drawn to Central Bank of Swaziland for amounts in excess of E10, 000.

How does one make the application?
There are two approaches that one can use to make the application; competitive and non-competitive bids.

Competitive bids (done only through Primary Dealers) are applications in which a discount rate is specified. Thus, the success of your application depends on other competitive bidders' discount rates. The lower the discount rate the more likely your bid will be successful. The following expresses how the discount rate is calculated;

\[ D = \frac{(F-P)}{F \times 365/t} \]  
\[ D = \frac{F \times [1-(t \times D)/365]}{F \times [1-(t \times D)/365]} \]

For competitive bids the minimum bid is E5, 000, 000 (E5 million) and must be in multiplies of E1, 000, 000 (E1 million). Bids must show the amount and discount rate expressed at an annual rate to three decimal places.

Non-competitive bids should specify the amount of the bid. These are applications in which bidders receive the average discount rate (determined by the accepted competitive bids). This means that you only need to state the amount of money you are bidding for, without specifying the discount rate. E.g. if the average discount rate is 9.000% for competitive bids, your bid will be considered at a 9.000% discount rate.

In this non-competitive bids category, each investor is allowed a minimum bid of E10, 000 and a maximum of E1, 000,000 per auction. All such bids must be in multiplies of E10, 000.
How does one get to know the outcome of his/her application?
Primary Dealers will be notified by telephone, fax or email at or shortly after 1:00 p.m. on the auction date. Results will also be announced to the public (non-competitive bidders) through the Central Bank website (www.centralbank.org.sz) or they can contact the Central Bank of Swaziland Investment Office on +268 408 2100 or +268 408 2212.

Settlement for bids is T+2, that is, investors have two days after the auction date to pay for their bids.

Does one have a choice as to where the Treasury Bills are kept?
All Treasury Bills are issued in what is called “book entry” form – an entry in a central electronic ledger. One can demand a physical T-Bill certificate, but that has more risks than the electronically stored version. Participants in the system are entitled to a statement of their holdings after every transaction, on a monthly basis and are available on demand. The Book Entry System eliminates the need to print and manually handle securities and their risk of being lost, damaged or stolen. This system also reduces the amount of time needed to deliver the security, and also it is linked to the settlement system which minimizes the settlement risk. Its efficiency is expected to stimulate the secondary market activities and facilitate open market operations. Further, it makes it easier for all investors to pledge these securities as collateral to their financial institutions.

How can one sell the Treasury bills before maturity?
Simply contact your Primary Dealer or the Central Bank Investment Office.

What happens when the T-bills matures?
If you have applied through a primary dealer: The Central Bank will pay the face value to your Primary Dealer who will then deliver it to you.

If one's application was done directly with the central bank, the security will be reinvested at maturity unless an investor wishes to withdraw his / her T-bills and has communicated such intention to the Central Bank Investment Office. Notification of such intention must be made at a date before the Wednesday (auction date) preceding the maturity date of security. Such notification may be done either by telephone or in person.

FOR MORE INFORMATION
You can contact your Primary Dealer, or call the Central Bank of Swaziland Dealers on +268 404 6178 (fax +268 404 8530). Further information can be found on the Bank’s website www.centralbank.org.sz

GLOSSARY
Allotment: The determination or the decision as to who gets the securities and how much they receive based on the discount the bidder(s) provided on the tender form.

Bid (purchase) price: The quoted price, at which a particular market participant is willing to buy, say, a security, currency, commodity or any instrument.

Bidder: A market participant who quotes a price.

Book Entry System: An electronic register that keeps records of ownership and transactions in financial instruments. The system replaces the paper based instruments and the physical exchange (trading) of such instruments. Its advantage lies in reduced paper work, reduced administrative loads and increased safety in dealing with given financial assets.

Closing date: A date on which the tender closes to the public, i.e. when all the tenders must be submitted and beyond which tenders cannot be accepted.

Dealer: Trader in securities, currencies, commodities or financial instruments.

Discount rate: A rate that equates the future value (nominal amounts) to the equivalent value at present or an interest rate which a central bank will discount government paper or lend money against government paper as collateral.

Discount: The difference between present and maturity value, or the action of buying financial paper at less than par value before maturity.

Face value: Apparent worth, or the nominal value that appears on the face of a document recording an entitlement, generally a certificate or bond.

Instrument: A type of financial debt paper.

Issue date: The date on which a security is issued. For Swaziland this is identical to the settlement date, though in theory the two dates could be different.

Liquidity: Depth of a market (e.g. security or commodities) and its ability to absorb sudden shifts in supply and demand without excessive price fluctuations.

Primary Dealers: Dealers for newly issued securities, i.e. initial dealers for new issues. Is this accurate?

Primary market: Market for the placing of new securities such as international, domestic and foreign bond issues and stock with investors by the group organized to handle the issue.

Secondary market: A market in which existing securities are traded. Secondary markets provide liquidity (tradability) and thus create conditions for a healthy primary market.

Settlement: Completion of a security transaction by delivering required stock certificates and/or funds.

Settlement date: The deadline by which a purchaser of a stock must pay for what has been bought and the seller must deliver the certificate for the security that has been sold. Settlement date usually coincides with the issue date. In the primary market, the settlement date is usually the second business day following the closing date of the tender.

Treasury Bill: Short-term government bearer security sold on a regular basis and commanding a dominion position on the money market. It is sold at a discount from par, being short-term. The purchase and sale of such bills i.e. through open market operations, forms a key part of monetary policy, fiscal policy and financial sector development.
Fact Sheet about T-bills and Bonds

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Source: Central Bank of Swaziland

DISCLAIMER
This brochure is prepared as a guide to investing in Swaziland Government Treasury Bills with the sole purpose of familiarizing investors with the tender process for the Government Treasury bills. Therefore this brochure neither constitutes an offer to buy or sell Government securities nor is it advertising investors to buy or sell such securities. While the information contained in this brochure is believed to be reliable and all care has been taken in preparing it to ensure the reliability and accuracy of such information, the Central Bank of Swaziland will not accept any liability or responsibility for any damages or loss suffered by any person and or institution resulting from its reliance on any information contained in this brochure.