



དངུལ་རྩིས་ལྷན་ཁག།

ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
TASHICHO DZONG



25th January 2021

### Government Bond Offer Document

The Royal Government of Bhutan (RGoB) is offering a 10-year bond of Nu. 700 million (*Ngultrum Seven Hundred Million*) to be allocated using a yield-based uniform price auction. The details of this offer are explained in the following paragraphs.

#### 1. Legal Authority

The Public Finance Act 2007 and amendment thereof provides the Government the authority to raise loans, through the following sections in the act.

**Section 15:** The Minister of Finance shall have the powers necessary to fulfill its responsibilities under this Act. Such powers shall include: -

- (a) Approval of borrowings and issuance of public securities subject to concurrence of the LhengyeZhungtshog;

**Section 125:** The Minister of Finance may raise a loan from any person, organization, or Government, either within or outside Bhutan.

**Section 126:** The Minister of Finance may borrow money for the following purposes only:

- (a) To finance budget deficits;
- (b) To refinance maturing debt or a loan paid before the redemption date;
- (c) To maintain credit balances in the bank accounts and on-lending to state enterprise and other legal entities;
- (d) Or any other purpose approved by the LhengyeZhungtshog.

**Section 127:** The authority of the Minister of Finance to raise loans under Section 125 shall include the authority to borrow money by way of the issue of public securities such as bills, **bonds** or commercial paper.

The primary issuance of Government Bond is governed by “Rules and Regulation for Issuance of Government Bond 2020”.



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## 2. Primary Issuance Administration

The Royal Monetary Authority (RMA), as the fiscal agent of the Government, administers and manages the primary issuance of the Government Bond.

## 3. Terms of the Issue

Summary of the issuance terms are as follows:

<b>Series</b>	: RGOB002
<b>Issue Amount</b>	: Nu. 700 million
<b>Tenure</b>	: 10 Years
<b>Face Value</b>	: Nu. 1,000
<b>Coupon/Interest Rate</b>	: to be determined in auction
<b>Minimum bid Amount</b>	: Nu. 10,000 (10 units)
<b>Multiples</b>	: 1,000
<b>Maturity Date</b>	: 17th February 2031
<b>Coupon Payment frequency</b>	: 2 times in a year(half-yearly)
<b>First Coupon Payment Date</b>	: 17th August 2021
<b>Day count convention</b>	: 30/360
<b>Opening Date</b>	: 1st February 2021
<b>Closing Date and Time</b>	: 15th February 2021 (12 noon)
<b>Allotment Date</b>	: 17th February 2021
<b>Allotment Method</b>	: yield-based uniform price auction
<b>Settlement Date</b>	: 18th February 2021
<b>Tax on coupon/interest</b>	: Coupon/interest is non-taxable income for PIT purpose

## 4. Eligible Investors

Eligible investors for the Government bond are as follows:

- Bhutanese citizens; and
- Firms, companies, corporate bodies, institutions, trusts and NGOs incorporated/registered under the existing laws of the Kingdom of Bhutan.

## 5. Submission of bids

The applicant must submit the bid using a web-based application link provided on RMA's website. A bidder should quote their required yield/coupon rate (in percent) up to two decimal places (for example, 6.25%) and is allowed to submit a single bid only.



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## 6. Deposit of bid amount

Prior to submitting the bid, the bidder must deposit full value of bid amount into any of the following RGOB Bond Depository Account maintained with the banks:

Bank	Account Name	Account no
BOBL	RGOB Bond Depository Accounts	202734589
BNBL		0000069846001
BDBL		201800004101
DPNBL		110210022986
TBL		77713044207001

The bid amount should be deposited into to the RGOB Bond Depository account using any of the following modes of payment:

- Mobile banking application (MBoB, MPay etc.,)
- Internet banking or issue credit and debit advice to the banks (via. email)
- Deposit in cash or cheque to the bank directly

## 7. Allotment

The bids are arranged in ascending order and the cut-off yield/coupon (rate) is arrived at the yield corresponding to the issue amount of the auction. The cut-off yield is taken as the coupon rate for the bond. Successful bidders are those who have bid at or below the cut-off yield. However, if the bids are higher than the cut-off yield, the bids will be rejected.

## 8. Settlement

The settlement will be done on the next day after the allotment date, and the proceeds of the bond subscription will be transferred to the Government from the RGOB Bond depository accounts. The unsuccessful bidder's amount will be refunded within three working days after the settlement date.

## 9. Coupon Payment and Redemption

The Ministry of Finance (MoF) will pay a coupon on a half yearly basis (**on 17th August and 17th February**) into the bank account that the bond holder has registered for receiving the payment. On maturity (17th February 2031), the principal amount and final coupon will be paid. If the payment date falls on a weekend, or a public holiday, the payment will be made (*without any additional interest*) on the next business day.



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## 10. Taxation

Taxation on interest income as per the Income Tax Act of Kingdom of Bhutan 2001 is as follows:

**BIT and CIT:** The interest income is taxable income for the BIT and CIT paying entities. Thus, except for those entities under a tax holiday, the half-yearly coupons will be paid net of 5% TDS.

**PIT:** Interest income from Government Bond is not a taxable income for PIT purposes. Thus, half-yearly coupons will be paid in full to individual investors.

## 11. Bond Certificate

The Government will not issue a physical bond certificate. The records of investor's holding will be maintained in "dematerialized", or "book-entry" form.

## 12. Listing

This Bond will be listed with the Royal Securities Exchange of Bhutan Limited (RSEBL) to facilitate secondary market transactions. The transactions in the secondary market would be governed by RSEBL's *Rules governing the Official Listing of Securities and Rules of the Exchange*.

## 13. Grievance redressal

Any grievances pertaining to this issue should be expressed in writing to the following official at RMA and MoF:

- Director, Department of Banking, RMA (Email ID: [tdema@rma.org.bt](mailto:tdema@rma.org.bt))
- Director General, Department of Macroeconomic Affairs, Ministry of Finance (Email ID: [lekzangd@mof.gov.bt](mailto:lekzangd@mof.gov.bt))

## 14. Contacts

Any clarification pertaining to this issuance may email or contact following officials at RMA & MoF.

Name	Email ID	Contact No.
Dechen Yangzom, Chief Accounts Officer, Department of Banking	<a href="mailto:dechenyangzom@rma.org.bt">dechenyangzom@rma.org.bt</a>	17880440
Yangzom, Asst. Accounts Officer, Department of Banking	<a href="mailto:Yangzom@rma.org.bt">Yangzom@rma.org.bt</a>	17673791
TshewangDorji, Program Officer, Department of Macroeconomic Affairs, MoF	<a href="mailto:tshewangd@mof.gov.bt">tshewangd@mof.gov.bt</a>	17735215

***\*MOF/RMA will have the full discretion to reject any or all the bids without assigning any reason.\*\*\*\*\****