



13th June 2023

Government Bond Offer Document

The Royal Government of Bhutan (RGoB) is offering a 5-year bond of Nu. 5,000 million (*Ngultrum Five Thousand million*) to be allocated using a competitive discriminatory price auction. The details of this offer are explained in the following paragraphs.

1. Legal Authority

The Public Finance Act 2007 and amendment thereof provide 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 fulfil its responsibilities under this Act. Such powers shall include: -

(a) Approval of borrowings and issuance of public securities subject to the concurrence of the Lhengye Zhungtshog;

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;
- (c1) on-lending to state enterprises and other legal entities;
- (d) or any other purposes approved by the Lhengye Zhungtshog.

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*”

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:

Series	: RGOB 009
Issue Amount	: Nu. 5,000 million
Tenure	: 5 Years
Face Value	: Nu. 1,000
Coupon/Interest Rate	: to be determined in auction
Minimum bid Amount	: Nu. 10,000 (10 units)
Multiples	: 1,000
Maturity Date	: 27 th June 2028
Coupon Payment frequency	: 2 times in a year(half-yearly)
First Coupon Payment Date	: 27 th December 2023
Day count convention	: 30/360
Opening Date	: 15 th June 2023
Closing Date and Time	: 23 rd June 2023 (12 noon)
Allotment Date	: 26 th June 2023
Allotment Method	: Competitive Discriminatory Price Auction
Settlement Date	: 27 th June 2023
Tax on coupon/interest	: 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 by using a web-based application link provided on RMA's website. A bidder should quote the required yield (in percent) up to two decimal places.

6. Deposit of bid amount

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

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



Tbank Ltd

77713044207001

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

- i. Mobile banking application (MBoB, MPay etc.,)
- ii. Internet banking or issuing credit and debt advice to the banks (via. email)
- iii. Deposit in cash or cheque to the bank directly

7 Allotment

The bids are arranged in ascending order of the bidder's quoted rate. The cut-off rate is the quoted rate at which the full issue amount has been allotted, and the successful bidders are those who have bid at or below the cut-off price. Since it is under the competitive multiple pricing the coupon rate for the successful bidders will be different.

8. Settlement

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

9. Private Placement

During the allotment, if the cut-off rate is unacceptable to the RGoB/MoF then the MoF will negotiate with the interested investors and private partners for the private placement at lowest quoted rate to issue the full amount or partially.

10. Coupon Payment and Redemption

The Ministry of Finance (MoF) will pay a coupon on a half-yearly basis (*on 27 June and 27 December*) into the bank account that the bondholder has registered for receiving the payment. On maturity (27 June 2028), 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.

11. 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



12. Bond Certificate

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

13. Grievance Redressal

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

- Director, Department of Banking, RMA (Email ID: tdema@rma.org.bt)
- Director, Department of Macro-Fiscal, Ministry of Finance (Email ID: ltsheten@mof.gov.bt)

14. Contacts

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

Name	Email ID	Contact No.
Yeshi Lhendup, Senior Program Officer, Department of Macroeconomic Affairs, MoF	yeshilhendup@mof.gov.bt	17918921
Thinlay Wangmo, Accounts Officer, Department of Banking	thinlayw@rma.org.bt	17746099

Sincerely,

Thinley Yangdon
OFFTG. DIRECTOR