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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



Government Bond Offer Document

The Royal Government of Bhutan (RGoB) is offering a 12-year bond of Nu. 4,000 million (*Ngultrum Four Thousand Million*) to be allocated using a yield-based 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 of 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 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.



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3. Terms of the Issue

Summary of the issuance terms are as follows:

Series	: RGoB005
Issue Amount	: Nu. 4,0 00 million
Tenor	: 12 Years
Face Value	: Nu.1,000
Coupon/Interest Rate	: to be determined in auction
Minimum Subscription Amount	: Nu. 10,000 (10 units)
Multiples	: 1,000
Maturity Date	: 23 rd June 2034
Coupon Payment frequency	: 2 times in a year (half-yearly)
First Coupon Payment Date	: 23 rd December 2022
Day count convention	: 30/360
Opening Date	: 11 th June 2022
Closing Date and Time	: 21 st June 2022 (12 noon)
Allotment Date	: 22 nd June 2022
Allotment Method	: yield-based uniform price auction
Settlement Date	: 23 rd June 2022
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 his/her required yield (in percent) up to two decimal places (for example, 4.15%).



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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:

- Mobile banking application (MBoB, MPay etc.,)
- Internet banking or issuing credit and debt advice to the banks (via. email)
- 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 yield. The cut-off yield is taken as the coupon rate for the bond.

(The illustration of allotment using a yield-based auction is provided in the annexure in page 5)

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. Coupon Payment and Redemption

The Ministry of Finance (MoF) will pay a coupon half-yearly (*on 23rd June and 23rd December*) into the bank account that a bondholder has registered for receiving the payment. On maturity (*23rd June 2034*), 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 non-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 investors' 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 and Regulations 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 officials at RMA and MoF:

- Director, Department of Banking, RMA (Email ID: tdema@rma.org.bt)
- Offtg. Director-General, Department of Macroeconomic Affairs, Ministry of Finance (Email ID: tsheringdorji@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	yeshilhedup@mof.gov.bt	17918921
Yangzom, Asst. Accounts Officer, Department of Banking	yangzom@rma.org.bt	17673791

Tashi Dorji Tangbi
Offtg. Director General
Department of Macroeconomic Affairs, Ministry of Finance



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Annexure: Illustration of the yield-based auction

Total offered amount: Nu. 3,000,000,000

Minimum bid: Nu. 10,000 and in multiples of 1,000 thereafter

Bidder	Quoted Rate	Bid Amount	Allotment	Cumulative Allotment
A	3.55%	Nu. 1,000,000,000	Nu. 1,000,000,000	Nu. 1,000,000,000
B	3.60%	Nu. 500,000,000	Nu. 500,000,000	Nu. 1,500,000,000
C	4.15%	Nu. 500,000,000	Nu. 500,000,000	Nu. 2,000,000,000
D	4.20%	Nu. 800,000,000	Nu. 444,444,000	Nu. 2,444,444,000
E	4.20%	Nu. 1,000,000,000	Nu. 555,556,000	Nu. 3,000,000,000
F	4.55%	Nu. 500,000,000	Rejected	
G	5.25%	Nu. 750,000,000	Rejected	

First, the quoted rates—with their corresponding bid amounts—are arranged in ascending order. Then the offered amount is allotted to the lowest bidder and then to the next lowest bidder until the offered amount is fully allotted. If some bidders have quoted the same rate, but the offered amount is inadequate for full allotment, the available amount would be allotted to bidders on a pro-rata (based on their bid amount).

In this illustration, D and E have quoted the same rate. However, their combined bid amount is Nu. 1,800,000,000 against the Nu. 1,000,000,000 available for allotment. Therefore, D and E would be allotted Nu. 1,000,000,000 on a pro-rata (rounded to 1,000): D would be allotted Nu. 444,444,000 and E would be allotted Nu. 555,556,000.

The cut-off rate—or the coupon rate for the bond—is the quoted rate at which the offered amount is fully allotted. In this illustration, since the offered amount is fully allotted at the quoted rate of E at 4.20%, the cut-off rate/coupon rate for the bond is 4.20%. Successful bidders are those who quoted 4.20% or below—but all successful bidders would be paid the same annual coupon rate of 4.20%.

Note: The allotment would be done using the IPO system of Royal Securities Exchange of Bhutan Limited.